

Transcontinental Inc. Announces Results for the Second Quarter of Fiscal 2022

Highlights

- Revenue growth of 21% for the Packaging Sector and 9% for the Printing Sector.
- Revenues of \$715.5 million for the quarter ended May 1, 2022; operating earnings of \$46.1 million; and net earnings attributable to shareholders of the Corporation of \$28.3 million (\$0.33 per share).
- Adjusted operating earnings before depreciation and amortization⁽¹⁾ of \$103.6 million for the quarter ended May 1, 2022; adjusted operating earnings⁽¹⁾ of \$64.1 million; and adjusted net earnings attributable to shareholders of the Corporation⁽¹⁾ of \$41.7 million (\$0.48 per share).
- Acquired Scolab Inc., a leader in the development of digital educational products, in March 2022, to enhance digital educational offering.

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

Montréal, June 8, 2022 - Transcontinental Inc. (TSX: TCL.A TCL.B) announces its results for the second quarter of fiscal 2022, which ended May 1, 2022.

"I am proud of our coworkers and their work to overcome supply chain challenges and inflationary pressures," said Peter Brues, President and Chief Executive Officer of TC Transcontinental. "We are starting to see the benefit of the actions we have taken, and I am encouraged by their impact on our second quarter results.

"In our Packaging Sector, we recorded significant volume growth during the quarter. Focused on supporting customer growth, we continued to prioritize the security of supply and invest to grow our sustainable packaging portfolio. Volume growth and significant work to offset cost increases due to inflation drove the improvement in the sector's adjusted operating earnings before depreciation and amortization.

"Our Printing Sector produced organic growth in revenues for the fifth consecutive quarter. This growth was primarily generated by our in-store marketing and book printing activities, two rapidly growing segments.

"The team continues to take action to improve our performance, the benefits of which will continue to be felt in the second half of our fiscal year."

Financial Highlights

(in millions of dollars, except per share amounts)	Q2 - 2022	Q2 - 2021	Variation in %
Revenues	\$715.5	\$623.3	14.8 %
Operating earnings before depreciation and amortization ⁽¹⁾	102.8	108.9	(5.6)
Adjusted operating earnings before depreciation and amortization ^{(1) (2)}	103.6	109.4	(5.3)
Operating earnings	46.1	55.9	(17.5)
Adjusted operating earnings ⁽²⁾	64.1	72.6	(11.7)
Net earnings attributable to shareholders of the Corporation	28.3	35.6	(20.5)
Net earnings attributable to shareholders of the Corporation per share	0.33	0.41	(19.5)
Adjusted net earnings attributable to shareholders of the Corporation ⁽²⁾	41.7	47.8	(12.8)
Adjusted net earnings attributable to shareholders of the Corporation per share ⁽²⁾	0.48	0.55	(12.7)

(1) Operating earnings before depreciation and amortization and Adjusted operating earnings before depreciation and amortization have been restated to conform to the presentation adopted in the current period.

(2) Please refer to the section entitled "Reconciliation of Non-IFRS Financial Measures" in this press release for adjusted data presented above.

Note: The above results include \$7.5 million in Canada Emergency Wage Subsidy for the second quarter of 2021.

2022 Second Quarter Results

Revenues increased by \$92.2 million, or 14.8%, from \$623.3 million in the second quarter of 2021 to \$715.5 million in the corresponding period of 2022. This increase is mainly attributable to the impact of the contractual transfer of the rise in the price of raw materials and other increases to counter inflationary pressures, the acquisition of H.S. Crocker Company, Inc. and higher volume on the results of the Packaging Sector, as well as the impact of higher volume in our in-store marketing and book printing activities and the acquisition of BGI Retail Inc. on the results of the Printing Sector.

Operating earnings before depreciation and amortization decreased by \$6.1 million, or 5.6%, from \$108.9 million in the second quarter of 2021 to \$102.8 million in the second quarter of 2022. Adjusted operating earnings before depreciation and amortization decreased by \$5.8 million, or 5.3%, from \$109.4 million in the second quarter of 2021 to \$103.6 million in the second quarter of 2022. The decrease in operating earnings before depreciation and amortization and adjusted operating earnings before depreciation and amortization is mainly due to the end of the Canada Emergency Wage Subsidy which the Corporation received in the previous year, lags in passing through cost increases related to the inflationary environment to customers in the Printing Sector and additional costs related to the start-up period for new contracts in our in-store marketing activities. These items were partially offset by higher volume in the two main sectors, the decrease in the stock-based compensation expense related to the share price, acquisitions, as well as the contractual transfer of the rise in the price of raw materials and other increases to counter inflationary pressures in the Packaging Sector.

Net earnings attributable to shareholders of the Corporation decreased by \$7.3 million, from \$35.6 million in the second quarter of 2021 to \$28.3 million in the second quarter of 2022. This decline is mainly due to lower operating earnings, partially offset by the decrease in income taxes. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.41 to \$0.33, respectively.

Adjusted net earnings attributable to shareholders of the Corporation decreased by \$6.1 million, or 12.8%, from \$47.8 million in the second quarter of 2021 to \$41.7 million in the second quarter of 2022. This decrease is due to the previously explained lower adjusted operating earnings, partially offset by the decrease in adjusted income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$0.55 to \$0.48, respectively.

2022 First Six Months Results

Revenues increased by \$160.1 million, or 12.8%, from \$1,246.0 million in the first six months of fiscal 2021 to \$1,406.1 million in the corresponding period of 2022. This increase is mainly attributable to the impact of the contractual transfer of the rise in the price of raw materials, the acquisition of H.S. Crocker Company, Inc., and higher volume on the results of the Packaging Sector, as well as the impact of higher volume in our in-store marketing and book printing activities and the acquisition of BGI Retail Inc. on the results of the Printing Sector. This increase was partially offset by the unfavorable exchange rate variation on results.

Operating earnings before depreciation and amortization decreased by \$18.7 million, or 8.8%, from \$212.2 million in the first six months of fiscal 2021 to \$193.5 million in the corresponding period of 2022. Adjusted operating earnings before depreciation and amortization decreased by \$24.9 million, or 11.4%, from \$217.5 million in the first six months of fiscal 2021 to \$192.6 million in the corresponding period of 2022. The decrease in operating earnings before depreciation and amortization and adjusted operating earnings before depreciation and amortization is mainly due to the end of the Canada Emergency Wage Subsidy which the Corporation received in the previous year, the negative impact of the pandemic on production capacity at several plants, especially in the first quarter of the fiscal year, and lags in passing through cost increases related to the inflationary environment to customers in the Printing Sector. These items were partially offset by higher volume in the two main sectors, acquisitions and the decrease in the stock-based compensation expense related to the share price. The decrease in restructuring costs also had a positive impact of operating earnings before depreciation and amortization.

Net earnings attributable to shareholders of the Corporation decreased by \$16.6 million, or 26.2%, from \$63.3 million in the first six months of fiscal 2021 to \$46.7 million in the corresponding period of 2022. This decline is mainly due to the previously explained lower operating earnings, partially offset by the decrease in income taxes. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.73 to \$0.54, respectively.

Adjusted net earnings attributable to shareholders of the Corporation decreased by \$19.9 million, or 21.7%, from \$91.6 million in the first six months of fiscal 2021 to \$71.7 million in the corresponding period of 2022 mostly due to the previously explained lower adjusted operating earnings, partially offset by the decrease in adjusted income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$1.05 to \$0.83, respectively.

For more detailed financial information, please see the Management's Discussion and Analysis for the second quarter of fiscal 2022 ended May 1, 2022 as well as the financial statements in the "Investors" section of our website at www.tc.tc.

Outlook

In the Packaging Sector, as a result of signing new contracts, introducing new products to the market and investing in new production equipment, we expect organic volume growth in fiscal year 2022 compared to fiscal 2021, excluding the impact of the 53rd week on the results for fiscal year 2021. In addition, we continue to expect an increase in adjusted operating earnings before depreciation and amortization for fiscal year 2022 compared to the prior fiscal year.

In the Printing Sector, with the significant volume in our in-store marketing activities and other growth activities, we expect revenue growth for fiscal year 2022, excluding the impact of the 53rd week on the results for fiscal year 2021. In addition, excluding amounts related to the Canada Emergency Wage Subsidy and the impact of the 53rd week on the results for fiscal year 2021, we expect an increase in adjusted operating earnings before depreciation and amortization for fiscal year 2022 compared to fiscal year 2021.

Finally, we expect to continue generating significant cash flows from operating activities. These cash flows are expected to enable us to reduce our net indebtedness, while providing us with the flexibility needed to pursue our investments focused on organic growth as well as 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 unaudited interim condensed consolidated financial statements for the second quarter ended May 1, 2022.

Terms Used	Definitions
Adjusted operating earnings before depreciation and amortization	Operating earnings before depreciation and amortization as well as restructuring and other costs (revenues) and impairment of assets.
Adjusted operating earnings margin before depreciation and amortization	Adjusted operating earnings before depreciation and amortization divided by revenues.
Adjusted operating earnings	Operating earnings before restructuring and other costs (revenues), amortization of intangible assets arising from business combinations and impairment of assets.
Adjusted operating earnings margin	Adjusted operating earnings divided by revenues.
Adjusted income taxes	Income taxes before income taxes on restructuring and other costs (revenues), impairment of assets, amortization of intangible assets arising from business combinations as well as the adjustment on additional income taxes in other jurisdictions resulting from a prior year and the tax impact of an internal reorganization.
Adjusted net earnings attributable to shareholders of the Corporation	Net earnings attributable to shareholders of the Corporation before restructuring and other costs (revenues), amortization of intangible assets arising from business combinations and impairment of assets, net of related income taxes as well as the adjustment on additional income taxes in other jurisdictions resulting from a prior year and the tax impact of an internal reorganization.
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.

Reconciliation of Non-IFRS Financial Measures

The financial information has been prepared in accordance with IFRS. However, financial measures used, namely 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.

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

Reconciliation of operating earnings - Second quarter and cumulative

	Three months ended		Six months ended	
(in millions of dollars)	May 1, 2022	April 25, 2021	May 1, 2022	April 25, 2021
Operating earnings	\$46.1	\$55.9	\$79.9	\$103.1
Restructuring and other costs (revenues)	0.8	0.5	(0.9)	5.3
Amortization of intangible assets arising from business combinations ⁽¹⁾	17.2	16.2	34.4	32.8
Adjusted operating earnings	\$64.1	\$72.6	\$113.4	\$141.2
Depreciation and amortization ^{(2) (3)}	39.5	36.8	79.2	76.3
Adjusted operating earnings before depreciation and amortization ⁽³⁾	\$103.6	\$109.4	\$192.6	\$217.5

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

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

(3) Depreciation and amortization and Adjusted operating earnings before depreciation and amortization have been restated to conform to the presentation adopted in the current period.

Reconciliation of operating earnings - Second quarter and cumulative for the Packaging Sector

	Three months ended		Six months ended	
(in millions of dollars)	May 1, 2022	April 25, 2021	May 1, 2022	April 25, 2021
Operating earnings	\$11.1	\$18.2	\$17.1	\$33.4
Restructuring and other costs (revenues)	5.6	(1.9)	2.7	(1.8)
Amortization of intangible assets arising from business combinations ⁽¹⁾	15.1	14.9	30.3	30.3
Adjusted operating earnings	\$31.8	\$31.2	\$50.1	\$61.9
Depreciation and amortization ⁽²⁾	20.6	18.0	41.2	37.4
Adjusted operating earnings before depreciation and amortization	\$52.4	\$49.2	\$91.3	\$99.3

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

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

Reconciliation of operating earnings - Second quarter and cumulative for the Printing Sector

	Three months ended		Six months ended	
(in millions of dollars)	May 1, 2022	April 25, 2021	May 1, 2022	April 25, 2021
Operating earnings	\$37.8	\$50.4	\$77.1	\$92.4
Restructuring and other costs	0.8	1.9	1.8	5.0
Amortization of intangible assets arising from business combinations ⁽¹⁾	2.0	1.2	4.0	2.4
Adjusted operating earnings	\$40.6	\$53.5	\$82.9	\$99.8
Depreciation and amortization ⁽²⁾	14.1	13.8	28.6	28.6
Adjusted operating earnings before depreciation and amortization	\$54.7	\$67.3	\$111.5	\$128.4

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

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

Reconciliation of operating earnings - Second quarter and cumulative for the Other Sector

	Three months ended		Six months ended	
(in millions of dollars)	May 1, 2022	April 25, 2021	May 1, 2022	April 25, 2021
Operating earnings	(\$2.8)	(\$12.7)	(\$14.3)	(\$22.7)
Restructuring and other costs (revenues)	(5.6)	0.5	(5.4)	2.1
Amortization of intangible assets arising from business combinations ⁽¹⁾	0.1	0.1	0.1	0.1
Adjusted operating earnings	(\$8.3)	(\$12.1)	(\$19.6)	(\$20.5)
Depreciation and amortization ^{(2) (3)}	4.8	5.0	9.4	10.3
Adjusted operating earnings before depreciation and amortization ⁽³⁾	(\$3.5)	(\$7.1)	(\$10.2)	(\$10.2)

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

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

(3) Depreciation and amortization and Adjusted operating earnings before depreciation and amortization have been restated to conform to the presentation adopted in the current period.

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

	Three months ended	
(in millions of dollars, except per share amounts)	May 1, 2022	April 25, 2021
Net earnings attributable to shareholders of the Corporation	\$28.3	\$35.6
Restructuring and other costs	0.8	0.5
Tax on restructuring and other costs	(0.4)	(0.6)
Amortization of intangible assets arising from business combinations ⁽¹⁾	17.2	16.2
Tax on amortization of intangible assets arising from business combinations	(4.2)	(3.9)
Adjusted net earnings attributable to shareholders of the Corporation	\$41.7	\$47.8
Net earnings attributable to shareholders of the Corporation per share	\$0.33	\$0.41
Adjusted net earnings attributable to shareholders of the Corporation per share	\$0.48	\$0.55
Weighted average number of shares outstanding	86.8	87.0

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

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

	Six months ended	
(in millions of dollars, except per share amounts)	May 1, 2022	April 25, 2021
Net earnings attributable to shareholders of the Corporation	\$46.7	\$63.3
Restructuring and other costs (revenues)	(0.9)	5.3
Tax on restructuring and other costs	—	(1.9)
Amortization of intangible assets arising from business combinations ⁽¹⁾	34.4	32.8
Tax on amortization of intangible assets arising from business combinations	(8.5)	(7.9)
Adjusted net earnings attributable to shareholders of the Corporation	\$71.7	\$91.6
Net earnings attributable to shareholders of the Corporation per share	\$0.54	\$0.73
Adjusted net earnings attributable to shareholders of the Corporation per share	\$0.83	\$1.05
Weighted average number of shares outstanding	86.9	87.0

(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 May 1, 2022	As at October 31, 2021
Long-term debt	\$743.7	\$778.2
Current portion of long-term debt	149.9	187.3
Lease liabilities	142.1	137.3
Current portion of lease liabilities	24.1	23.1
Cash	(24.8)	(231.1)
Net indebtedness	\$1,035.0	\$894.8
Adjusted operating earnings before depreciation and amortization (last 12 months)	\$439.9	\$464.8
Net indebtedness ratio	2.35 x	1.93 x

Dividend

The Corporation's Board of Directors declared a quarterly dividend of \$0.225 per share on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on July 25, 2022 to shareholders of record at the close of business on July 5, 2022.

Normal Course Issuer Bid

The Corporation was authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between October 1, 2021 and September 30, 2022, 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 190,300 of its Class B Shares.

During the three-month period ended May 1, 2022, the Corporation redeemed and cancelled 180,000 of its Class A Subordinate Voting Shares at a weighted average price of \$16.79 per share, for a total cash consideration of \$3.0 million. During the six-month period ended May 1, 2022, the Corporation redeemed and cancelled 337,800 of its Class A Subordinate Voting Shares at a weighted average price of \$17.73 per share, for a total cash consideration of \$6.0 million.

Additional information

Conference Call

Upon releasing its 2022 second quarter results, the Corporation will hold a conference call for the financial community on June 8, 2022 at 4:15 p.m. The dial-in numbers are 1-438-793-6811 or 1-888-440-2149. 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 the leading Canadian French-language educational publishing group. For over 45 years, TC Transcontinental's mission has been to create quality products and services that allow businesses to attract, reach and retain their target customers.

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

Transcontinental Inc. (TSX: TCL.A TCL.B), known as TC Transcontinental, has approximately 8,000 employees, the majority of which are based in Canada, the United States and Latin America. TC Transcontinental had revenues of more than C\$2.6 billion for the fiscal year ended October 31, 2021. 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 impact of digital product development and adoption on the demand for retailer-related services and other printed products, the Corporation's ability to generate organic growth in highly competitive industries, the Corporation's ability to complete acquisitions and properly integrate them, the inability to maintain or improve operational efficiency and avoid disruptions that could affect its ability to meet deadlines, cybersecurity and data protection, the political and social environment as well as regulatory and legislative changes, in particular with regard to the environment and door-to-door distribution, changes in consumption habits related, in particular, to issues involving sustainable development and the use of certain products or services such as door-to-door distribution, change in consumption habits or loss of a major customer, customer consolidation, the safety and quality of its packaging products used in the food industry, the protection of its intellectual property rights, the exchange rate, availability of capital at a reasonable cost, bad debts from certain customers, import and export controls, raw materials, transportation and consumed energy costs, availability of raw materials, recruiting and retaining qualified personnel, taxation, interest rates and the impact of the COVID-19 pandemic on its operations, facilities and financial results, changes in consumption habits from consumers and changes in the operations and financial position of the Corporation's customers due to the COVID-19 pandemic and the effectiveness of plans and measures implemented in response thereto. The main risks, uncertainties and factors that could influence actual results are described in the *Management's Discussion and Analysis* for the year ended October 31, 2021 and in the latest *Annual Information Form*.

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of non-recurring or other unusual items, nor of disposals, business combinations, mergers or acquisitions which may be announced or entered into after the date of June 8, 2022. The forward-looking statements in this press release are made pursuant to the "safe harbour" provisions of applicable Canadian securities legislation. The forward-looking statements in this release are based on current expectations and information available as at June 8, 2022. Such forward-looking information may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the second quarter ended May 1, 2022

The purpose of this *Management's Discussion and Analysis* is to help the reader better understand the business, development strategy, and future outlook of Transcontinental Inc., how we manage risk, as well as to analyze the Corporation's results and financial position for the second quarter ended May 1, 2022. It should be read in conjunction with the information in the unaudited condensed interim consolidated financial statements and the accompanying notes. 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 #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" and in Note 3 "Segmented Information" to the unaudited condensed interim consolidated financial statements for the second quarter ended May 1, 2022. 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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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.

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 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 31, 2021* and in the latest *Annual Information Form*.

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PROFILE OF TC TRANSCONTINENTAL

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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.

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HIGHLIGHTS

Table #1:

(in millions of dollars, except per share amounts)	Q2 - 2022	Q2 - 2021	Variation in %
Revenues	\$715.5	\$623.3	14.8 %
Operating earnings before depreciation and amortization ⁽¹⁾	102.8	108.9	(5.6)
Adjusted operating earnings before depreciation and amortization ⁽¹⁾⁽²⁾	103.6	109.4	(5.3)
Operating earnings	46.1	55.9	(17.5)
Adjusted operating earnings ⁽²⁾	64.1	72.6	(11.7)
Net earnings attributable to shareholders of the Corporation	28.3	35.6	(20.5)
Net earnings attributable to shareholders of the Corporation per share	0.33	0.41	(19.5)
Adjusted net earnings attributable to shareholders of the Corporation ⁽²⁾	41.7	47.8	(12.8)
Adjusted net earnings attributable to shareholders of the Corporation per share ⁽²⁾	0.48	0.55	(12.7)

(1) Operating earnings before depreciation and amortization and Adjusted operating earnings before depreciation and amortization have been restated to conform to the presentation adopted in the current period.

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

Note: The above results include \$7.5 million in Canada Emergency Wage Subsidy for the second quarter of 2021.

- Growth in revenues of 21% in the Packaging Sector and 9% in the Printing Sector.
- Revenues of \$715.5 million for the quarter ended May 1, 2022; operating earnings of \$46.1 million; and net earnings attributable to shareholders of the Corporation of \$28.3 million (\$0.33 per share).
- Adjusted operating earnings before depreciation and amortization of \$103.6 million for the quarter ended May 1, 2022; adjusted operating earnings of \$64.1 million; and adjusted net earnings attributable to shareholders of the Corporation of \$41.7 million (\$0.48 per share).
- Acquired Scolab Inc., a leader in the development of digital educational products, in March 2022, to enhance digital educational offering.

PREAMBLE

Economic environment

The economic environment remains tied to geopolitical events following the invasion of Ukraine by Russia. Consumers and businesses around the world have been affected by rising energy, raw material, commodity and food prices. In order to reduce the inflation, several central banks are now tightening their monetary policies which impact interest rates and foreign currency exchange rates.

The Corporation's activities are exposed to a variety of market risks which may adversely impact the Corporation's results of operations and financial condition, including economic cycles, inflation, and changes in interest and foreign currency exchange rates. Management takes an active role in the risk management process, but these actions may not fully insulate the Corporation from adverse impacts due to market risks.

Impact of the COVID-19 Pandemic

As early as the beginning of March 2020, the Corporation actively deployed its company-wide crisis management and communication plan, which enabled it to ensure employee safety while ensuring service continuity for its customers. Since then, the Corporation has been closely monitoring the developments of the COVID-19 pandemic and government recommendations and is acting quickly by adapting security measures as required. Despite the progress of the vaccination campaign, the Omicron variant had a significant adverse impact on our operations during the first six months of fiscal 2022, especially in terms of labour availability.

Analysis of adjusted operating earnings before depreciation and amortization

Adjusted operating earnings before depreciation and amortization is analyzed in the Corporation's sector analysis. We believe that many of our readers analyze the financial performance of the Corporation's activities based on this measure and that such a measure allows for better comparability within the financial community. In addition, management puts greater emphasis on this measure to assess the performance of its operations and their ability to generate cash flows as well as to make better period-to-period comparisons and analyze trends.

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

(unaudited)

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

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

Table #2:

Reconciliation of operating earnings - Second quarter and cumulative

(in millions of dollars)	Three months ended		Six months ended	
	May 1, 2022	April 25, 2021	May 1, 2022	April 25, 2021
Operating earnings	\$46.1	\$55.9	\$79.9	\$103.1
Restructuring and other costs (revenues)	0.8	0.5	(0.9)	5.3
Amortization of intangible assets arising from business combinations ⁽¹⁾	17.2	16.2	34.4	32.8
Adjusted operating earnings	\$64.1	\$72.6	\$113.4	\$141.2
Depreciation and amortization ^{(2) (3)}	39.5	36.8	79.2	76.3
Adjusted operating earnings before depreciation and amortization ⁽³⁾	\$103.6	\$109.4	\$192.6	\$217.5

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

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

(3) Depreciation and amortization and Adjusted operating earnings before depreciation and amortization have been restated to conform to the presentation adopted in the current period.

Reconciliation of operating earnings - Second quarter and cumulative for the Packaging Sector

(in millions of dollars)	Three months ended		Six months ended	
	May 1, 2022	April 25, 2021	May 1, 2022	April 25, 2021
Operating earnings	\$11.1	\$18.2	\$17.1	\$33.4
Restructuring and other costs (revenues)	5.6	(1.9)	2.7	(1.8)
Amortization of intangible assets arising from business combinations ⁽¹⁾	15.1	14.9	30.3	30.3
Adjusted operating earnings	\$31.8	\$31.2	\$50.1	\$61.9
Depreciation and amortization ⁽²⁾	20.6	18.0	41.2	37.4
Adjusted operating earnings before depreciation and amortization	\$52.4	\$49.2	\$91.3	\$99.3

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

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

Reconciliation of operating earnings - Second quarter and cumulative for the Printing Sector

(in millions of dollars)	Three months ended		Six months ended	
	May 1, 2022	April 25, 2021	May 1, 2022	April 25, 2021
Operating earnings	\$37.8	\$50.4	\$77.1	\$92.4
Restructuring and other costs	0.8	1.9	1.8	5.0
Amortization of intangible assets arising from business combinations ⁽¹⁾	2.0	1.2	4.0	2.4
Adjusted operating earnings	\$40.6	\$53.5	\$82.9	\$99.8
Depreciation and amortization ⁽²⁾	14.1	13.8	28.6	28.6
Adjusted operating earnings before depreciation and amortization	\$54.7	\$67.3	\$111.5	\$128.4

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

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

Reconciliation of operating earnings - Second quarter and cumulative for the Other Sector

(in millions of dollars)	Three months ended		Six months ended	
	May 1, 2022	April 25, 2021	May 1, 2022	April 25, 2021
Operating earnings	(\$2.8)	(\$12.7)	(\$14.3)	(\$22.7)
Restructuring and other costs (revenues)	(5.6)	0.5	(5.4)	2.1
Amortization of intangible assets arising from business combinations ⁽¹⁾	0.1	0.1	0.1	0.1
Adjusted operating earnings	(\$8.3)	(\$12.1)	(\$19.6)	(\$20.5)
Depreciation and amortization ^{(2) (3)}	4.8	5.0	9.4	10.3
Adjusted operating earnings before depreciation and amortization ⁽³⁾	(\$3.5)	(\$7.1)	(\$10.2)	(\$10.2)

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

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

(3) Depreciation and amortization and Adjusted operating earnings before depreciation and amortization have been restated to conform to the presentation adopted in the current period.

Reconciliation of operating earnings - Last eight quarters

(in millions of dollars)	2022		2021		2020			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Operating earnings	\$46.1	\$33.8	\$80.5	\$50.2	\$55.9	\$47.2	\$81.2	\$75.3
Restructuring and other costs (revenues)	0.8	(1.7)	6.6	0.8	0.5	4.8	11.9	9.2
Amortization of intangible assets arising from business combinations ⁽¹⁾	17.2	17.2	17.1	16.4	16.2	16.6	17.0	17.6
Impairment of assets	—	—	0.7	—	—	—	—	—
Adjusted operating earnings	\$64.1	\$49.3	\$104.9	\$67.4	\$72.6	\$68.6	\$110.1	\$102.1
Depreciation and amortization ^{(2) (3)}	39.5	39.7	38.2	36.8	36.8	39.5	39.2	39.8
Adjusted operating earnings before depreciation and amortization ⁽³⁾	\$103.6	\$89.0	\$143.1	\$104.2	\$109.4	\$108.1	\$149.3	\$141.9

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

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

(3) Depreciation and amortization and Adjusted operating earnings before depreciation and amortization have been restated to conform to the presentation adopted in the current period.

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

(in millions of dollars, except per share amounts)	Three months ended	
	May 1, 2022	April 25, 2021
Net earnings attributable to shareholders of the Corporation	\$28.3	\$35.6
Restructuring and other costs	0.8	0.5
Tax on restructuring and other costs	(0.4)	(0.6)
Amortization of intangible assets arising from business combinations ⁽¹⁾	17.2	16.2
Tax on amortization of intangible assets arising from business combinations	(4.2)	(3.9)
Adjusted net earnings attributable to shareholders of the Corporation	\$41.7	\$47.8
Net earnings attributable to shareholders of the Corporation per share	\$0.33	\$0.41
Adjusted net earnings attributable to shareholders of the Corporation per share	\$0.48	\$0.55
Weighted average number of shares outstanding	86.8	87.0

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

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

(in millions of dollars, except per share amounts)	Six months ended	
	May 1, 2022	April 25, 2021
Net earnings attributable to shareholders of the Corporation	\$46.7	\$63.3
Restructuring and other costs (revenues)	(0.9)	5.3
Tax on restructuring and other costs	—	(1.9)
Amortization of intangible assets arising from business combinations ⁽¹⁾	34.4	32.8
Tax on amortization of intangible assets arising from business combinations	(8.5)	(7.9)
Adjusted net earnings attributable to shareholders of the Corporation	\$71.7	\$91.6
Net earnings attributable to shareholders of the Corporation per share	\$0.54	\$0.73
Adjusted net earnings attributable to shareholders of the Corporation per share	\$0.83	\$1.05
Weighted average number of shares outstanding	86.9	87.0

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

Reconciliation of net earnings attributable to shareholders of the Corporation - Last eight quarters

	2022			2021			2020	
(in millions of dollars, except per share amounts)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net earnings attributable to shareholders of the Corporation	\$28.3	\$18.4	\$39.2	\$28.1	\$35.6	\$27.7	\$51.3	\$48.3
Restructuring and other costs	0.8	(1.7)	6.6	0.8	0.5	4.8	11.9	9.2
Tax on restructuring and other costs	(0.4)	0.4	(1.4)	(0.4)	(0.6)	(1.3)	(3.7)	(2.6)
Amortization of intangible assets arising from business combinations ⁽¹⁾	17.2	17.2	17.1	16.4	16.2	16.6	17.0	17.6
Tax on amortization of intangible assets arising from business combinations	(4.2)	(4.3)	(1.8)	(4.0)	(3.9)	(4.0)	(4.1)	(4.3)
Impairment of assets	—	—	0.7	—	—	—	—	—
Tax on impairment of assets	—	—	(0.2)	—	—	—	—	—
Adjustment on additional taxes in other jurisdictions	—	—	(0.3)	3.3	—	—	—	—
Tax impact of a reorganization ⁽²⁾	—	—	10.7	—	—	—	—	—
Adjusted net earnings attributable to shareholders of the Corporation	\$41.7	\$30.0	\$70.6	\$44.2	\$47.8	\$43.8	\$72.4	\$68.2
Net earnings attributable to shareholders of the Corporation per share	\$0.33	\$0.21	\$0.45	\$0.32	\$0.41	\$0.32	\$0.59	\$0.55
Adjusted net earnings attributable to shareholders of the Corporation per share	\$0.48	\$0.35	\$0.81	\$0.51	\$0.55	\$0.50	\$0.84	\$0.78
Weighted average number of shares outstanding	86.8	86.9	87.0	87.0	87.0	87.0	87.0	87.0

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

(2) During the three-month period ended October 31, 2021, the Corporation carried out an internal reorganization which generated a deferred tax expense of \$10.7 million.

Reconciliation of net indebtedness

(in millions of dollars, except ratios)	As at May 1, 2022	As at October 31, 2021
Long-term debt	\$743.7	\$778.2
Current portion of long-term debt	149.9	187.3
Lease liabilities	142.1	137.3
Current portion of lease liabilities	24.1	23.1
Cash	(24.8)	(231.1)
Net indebtedness	\$1,035.0	\$894.8
Adjusted operating earnings before depreciation and amortization (last 12 months)	\$439.9	\$464.8
Net indebtedness ratio	2.35 x	1.93 x

ANALYSIS OF CONSOLIDATED RESULTS - SECOND QUARTER

Revenues

Revenues increased by \$92.2 million, or 14.8%, from \$623.3 million in the second quarter of 2021 to \$715.5 million in the corresponding period of 2022. This increase is mainly attributable to higher volume in the two main sectors, the impact of the rise in the price of raw materials on the results of the Packaging Sector, as well as the recent acquisitions of BGI Retail Inc. and H.S. Crocker Company, Inc. A more detailed analysis of revenues is presented in the section "Analysis of Sector Results - Second Quarter".

Operating and Other Expenses

Operating expenses increased by \$98.0 million, or 19.1%, in the second quarter of 2022 compared to the corresponding period of 2021. This increase results mainly from the rise in raw materials costs, higher volume in the two main sectors, the recent acquisitions of BGI Retail Inc. and H.S. Crocker Company, Inc. and, to a lesser extent, the unfavourable change caused by the end of the Canada Emergency Wage Subsidy which the Corporation received in the previous year.

Restructuring and other costs increased slightly by \$0.3 million, from an expense of \$0.5 million in the second quarter of 2021 to an expense of \$0.8 million in the second quarter of 2022. This unfavourable change is mainly related to a net gain of \$6.1 million on the disposal of a building, more than offset by other items, including configuration and customization costs under a cloud computing arrangement of \$5.7 million.

Operating Earnings before Depreciation and Amortization

Operating earnings before depreciation and amortization decreased by \$6.1 million, or 5.6%, from \$108.9 million in the second quarter of 2021 to \$102.8 million in the second quarter of 2022. The decrease in operating earnings before depreciation and amortization is mainly due to the end of the Canada Emergency Wage Subsidy which the Corporation received in the previous year and the current inflationary situation, which had an unfavourable effect on the cost structure of some plants. These factors were partially offset by higher volume in the two main sectors, the decrease in the stock-based compensation expense related to the share price, the impact of the contractual transfer of the rise in the price of raw materials and other price increases to counter inflationary pressures.

Adjusted operating earnings before depreciation and amortization decreased by \$5.8 million, or 5.3%, from \$109.4 million in the second quarter of 2021 to \$103.6 million in the second quarter of 2022. A more detailed analysis of adjusted operating earnings is presented in the section "Analysis of Sector Results - Second Quarter".

Depreciation and Amortization

Depreciation and amortization increased by \$3.7 million, from \$53.0 million in the second quarter of 2021 to \$56.7 million in the second quarter of 2022. This increase is mostly due to the recent acquisitions in the two main sectors and an increase in property, plant and equipment, especially in the Packaging Sector.

Net Financial Expenses

Net financial expenses increased by \$0.4 million, from \$9.5 million in the second quarter of 2021 to \$9.9 million in the second quarter of 2022. This unfavourable change is mainly explained by a foreign exchange loss and disbursements related to recent acquisitions, partially offset by a decrease in indebtedness and a lower weighted average interest rate.

Income Taxes

Income taxes decreased by \$2.9 million, from \$10.8 million in the second quarter of 2021, for an effective tax rate of 23.2%, to \$7.9 million in the second quarter of 2022, for an effective tax rate of 22.0%. This decrease is mainly attributable to lower earnings before income taxes.

Adjusted income taxes decreased by \$2.8 million, from \$15.3 million in the second quarter of 2021, for an effective tax rate of 24.4%, to \$12.5 million in the second quarter of 2022, for an effective tax rate of 23.1%. This decrease in income tax expense is explained by lower adjusted operating earnings before income taxes and a decrease in tax rate attributable to the geographic distribution of revenues.

Net Earnings Attributable to Shareholders of the Corporation

Net earnings attributable to shareholders of the Corporation decreased by \$7.3 million, from \$35.6 million in the second quarter of 2021 to \$28.3 million in the second quarter of 2022. This decrease is mainly due to lower operating earnings, partially offset by lower income taxes. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.41 to \$0.33, respectively.

Adjusted net earnings attributable to shareholders of the Corporation decreased by \$6.1 million, or 12.8%, from \$47.8 million in the second quarter of 2021 to \$41.7 million in the second quarter of 2022. This decrease is due to lower adjusted operating earnings, partially offset by lower adjusted income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$0.55 to \$0.48, respectively.

ANALYSIS OF CONSOLIDATED RESULTS - CUMULATIVE

Revenues

Revenues increased by \$160.1 million, or 12.8%, from \$1,246.0 million in the first six months of fiscal 2021 to \$1,406.1 million in the corresponding period of 2022. This increase is mainly explained by the impact of the rise in the price of raw materials on the results of the Packaging Sector, the acquisitions of BGI Retail Inc. and H.S. Crocker Company, Inc. as well as higher volume in the two main sectors. This increase was partially mitigated by the negative impact of the exchange rate variation on revenues. A more detailed analysis of revenues is presented in the "Analysis of Sector Results - Cumulative" section.

Operating and Other Expenses

Operating expenses increased by \$185.0 million in the first six months of fiscal 2022, or 18.0%, compared to corresponding period of 2021. This increase results mainly from the rise in raw materials costs, the recent acquisitions of BGI Retail Inc. and H.S. Crocker Company, Inc., the unfavourable change caused by the end of the Canada Emergency Wage Subsidy which the Corporation received in the previous year and, to a lesser extent, higher volume in the two main sectors.

Restructuring and other costs decreased by \$6.2 million, from an expense of \$5.3 million in the first six months of fiscal 2021 to a gain of \$0.9 million in the corresponding period of 2022. This favourable variance is mainly explained by a net gain related to insurance proceeds in the Packaging Sector and a decrease in workforce reduction costs in the Printing Sector.

Operating Earnings before depreciation and amortization

Operating earnings before depreciation and amortization decreased by \$18.7 million, or 8.8%, from \$212.2 million in the first six months of fiscal 2021 to \$193.5 million in the corresponding period of 2022. The decline in operating earnings before depreciation and amortization is mainly explained by the end of the Canada Emergency Wage Subsidy which the Corporation received in the previous year, the negative impact of the pandemic on production capacity at several plants during the first months of the current fiscal year and the current inflationary situation, which had an unfavourable effect on the cost structure. These factors were partially offset by higher volume in the two main sectors, acquisitions, the decrease in the stock-based compensation expense related to the share price and, to a lesser extent, the decrease in restructuring costs.

Adjusted operating earnings before depreciation and amortization decreased by \$24.9 million, or 11.4%, from \$217.5 million in the first six months of fiscal 2021 to \$192.6 million in the corresponding period of 2022. A more detailed analysis of adjusted operating earnings is presented in the "Analysis of Sector Results - Cumulative" section.

Depreciation and amortization

Depreciation and amortization increased by \$4.5 million, from \$109.1 million in the first six months of fiscal 2021 to \$113.6 million in the corresponding period of 2022. This increase is mostly explained by the recent acquisitions in the two main sectors and an increase in property, plant and equipment, mainly in the Packaging Sector.

Net Financial Expenses

Net financial expenses decreased by \$0.6 million, from \$20.3 million in the first six months of fiscal 2021 to \$19.7 million in the corresponding period of fiscal 2022. This favourable change is explained mainly by a reduction in indebtedness.

Income Taxes

Income taxes decreased by \$5.8 million, from \$19.4 million in the first six months of fiscal 2021, for an effective tax rate of 24.18%, to \$13.6 million in the corresponding period of 2022 for an effective tax rate of 23.61%. This decrease is mainly explained by lower earnings before income taxes.

Adjusted income taxes decreased from \$29.2 million in the first six months of fiscal 2021, for an effective tax rate of 24.2%, to \$22.1 million in the corresponding period of 2022, for an effective tax rate of 23.6%. This decrease in income tax expense is explained by lower adjusted operating earnings before income taxes and a decrease in tax rate attributable to the geographic distribution of revenues.

Net Earnings Attributable to Shareholders of the Corporation

Net earnings attributable to shareholders of the Corporation decreased by \$16.6 million, or 26.2%, from \$63.3 million in the first six months of fiscal 2021 to \$46.7 million in the corresponding period of 2022. This decrease is mainly due to the decline in operating earnings, partially offset by lower income taxes. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.73 to \$0.54, respectively, due to the above-mentioned items.

Adjusted net earnings attributable to shareholders of the Corporation decreased by \$19.9 million, or 21.7%, from \$91.6 million in the first six months of fiscal 2021 to \$71.7 million in the corresponding period of 2022, mostly as a result of the decline in adjusted operating earnings, partially offset by lower adjusted income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$1.05 to \$0.83, respectively.

ANALYSIS OF SECTOR RESULTS - SECOND QUARTER

(unaudited)

Table #3:

(in millions of dollars)	Packaging	Printing	Other	Consolidated results
Revenues - Second quarter of 2021	\$348.1	\$268.3	\$6.9	\$623.3
Acquisitions/disposals and closures	19.2	9.2	0.5	28.9
Existing operations				
Exchange rate effect	(0.5)	(0.5)	—	(1.0)
Organic growth (decline)	54.7	14.9	(5.3)	64.3
Revenues - Second quarter of 2022	\$421.5	\$291.9	\$2.1	\$715.5
Adjusted operating earnings before depreciation and amortization ⁽¹⁾⁽²⁾ - Second quarter of 2021	\$49.2	\$67.3	(\$7.1)	\$109.4
Acquisitions/disposals and closures	1.5	2.1	0.2	3.8
Existing operations				
Exchange rate effect	(0.1)	(0.5)	—	(0.6)
Stock-based compensation	—	—	4.7	4.7
Organic growth (decline) ⁽³⁾	1.8	(14.2)	(1.3)	(13.7)
Adjusted operating earnings before depreciation and amortization ⁽¹⁾ - Second quarter of 2022	\$52.4	\$54.7	(\$3.5)	\$103.6

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

(2) Adjusted operating earnings before depreciation and amortization has been restated to conform to the presentation adopted in the period.

(3) The above results include the unfavourable impact of \$7.5 million in Canada Emergency Wage Subsidy for the second quarter of 2021.

Packaging Sector

Packaging Sector revenues increased by \$73.4 million, or 21.1%, from \$348.1 million in the second quarter of 2021 to \$421.5 million in the second quarter of 2022. This increase is mainly attributable to the impact of the transfer of the rise in the price of raw materials, the recent acquisition of H.S. Crocker Company, Inc. and higher volume in most plants.

Adjusted operating earnings before depreciation and amortization increased by \$3.2 million, or 6.5%, from \$49.2 million in the second quarter of 2021 to \$52.4 million in the second quarter of 2022. Higher volume, the impact of the contractual transfer of the rise in the price of raw materials and the recent acquisition of H.S. Crocker Company, Inc. offset the unfavourable impact of inflation on costs.

The sector's adjusted operating earnings margin before depreciation and amortization went from 14.1% in the second quarter of 2021 to 12.4% in the second quarter of 2022, mainly due to the above-mentioned items.

Printing Sector

Printing Sector revenues increased by \$23.6 million, or 8.8%, from \$268.3 million in the second quarter of 2021 to \$291.9 million in the second quarter of 2022. The increase is mainly related to higher book printing volume, the impact of new contracts within the in-store marketing group, the acquisition of BGI Retail Inc. and, to a lesser extent, the impact of the transfer of the rise in the price of raw materials.

Adjusted operating earnings before depreciation and amortization decreased by \$12.6 million, or 18.7%, from \$67.3 million in the second quarter of 2021 to \$54.7 million in the second quarter of 2022. This decrease is mostly caused by the end of the Canada Emergency Wage Subsidy which the Corporation received in the previous year, lags in passing through cost increases related to the inflationary situation to customers and additional costs related to the start-up period for new contracts. The sector's adjusted operating earnings margin before depreciation and amortization decreased from 25.1% in the second quarter of 2021 to 18.7% in the second quarter of 2022, mostly due to the above-mentioned items. Excluding the Canada Emergency Wage Subsidy, the margin would have been 22.5% in the second quarter of 2021.

Other

Other Sector revenues decreased by \$4.8 million, from \$6.9 million in the second quarter of 2021 to \$2.1 million in the second quarter of 2022 as a result of an increase in intersegment transactions between the Media Sector and the Printing Sector.

Adjusted operating earnings before depreciation and amortization increased by \$3.6 million, from -\$7.1 million in the second quarter of 2021 to -\$3.5 million in the second quarter of 2022, mainly due to the decrease in stock-based compensation expense related to the share price in the second quarter of fiscal 2022.

ANALYSIS OF SECTOR RESULTS - CUMULATIVE

(unaudited)

Table #4:

(in millions of dollars)	Packaging	Printing	Other	Consolidated results
Revenues - Six months ended April 25, 2021	\$685.3	\$542.7	\$18.0	\$1,246.0
Acquisitions/disposals and closures	34.3	20.4	0.5	55.2
Existing operations				
Exchange rate effect	(8.8)	(0.3)	—	(9.1)
Organic growth (decline)	94.7	24.5	(5.2)	114.0
Revenues - Six months ended May 1, 2022	\$805.5	\$587.3	\$13.3	\$1,406.1
Adjusted operating earnings^{(1) (2)} - Six months ended April 25, 2021	\$99.3	\$128.4	(\$10.2)	\$217.5
Acquisitions/disposals and closures	2.1	4.8	0.2	7.1
Existing operations				
Exchange rate effect	(1.0)	0.1	(0.1)	(1.0)
Stock-based compensation	—	—	4.1	4.1
Organic growth (decline) ⁽³⁾	(9.1)	(21.8)	(4.2)	(35.1)
Adjusted operating earnings⁽¹⁾ - Six months ended May 1, 2022	\$91.3	\$111.5	(\$10.2)	\$192.6

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

(2) Adjusted operating earnings before depreciation and amortization has been restated to conform to the presentation adopted in the period.

(3) The above results include the unfavourable impact of \$16.5 million in Canada Emergency Wage Subsidy for the six months ended April 25, 2021.

Packaging Sector

Packaging Sector revenues increased by \$120.2 million, from \$685.3 million in the first six months of fiscal 2021 to \$805.5 million in the corresponding period of 2022. This increase is mostly attributable to the rise in the price of raw materials, the recent acquisition of H.S. Crocker Company, Inc. and, to a lesser extent, higher volume. These factors were partially offset by the unfavourable exchange rate effect.

Adjusted operating earnings decreased by \$8.0 million, from \$99.3 million in the first six months of fiscal 2021 to \$91.3 million in the corresponding period of 2022. This decrease is mainly due to the current inflationary situation and the various external factors resulting from the pandemic that negatively impacted production capacity at several plants during the first quarter of fiscal 2022. These factors were partially offset by the recent acquisition of H.S. Crocker Company, Inc. and, to a lesser extent, the above-mentioned higher volume. The sector's adjusted operating earnings margin decreased from 14.5% in the first six months of fiscal 2021 to 11.3% in the corresponding period of 2022, mainly due to the above-mentioned items.

Printing Sector

Printing Sector revenues increased by \$44.6 million, from \$542.7 million in the first six months of fiscal 2021 to \$587.3 million in the corresponding period of 2022. This increase is mostly related to the acquisition of BGI Retail Inc., higher book printing volume, the impact of new contracts within the in-store marketing group, and, to a lesser extent, the impact of the transfer of the rise in the price of raw materials.

Adjusted operating earnings decreased by \$16.9 million, from \$128.4 million in the first six months of fiscal 2021 to \$111.5 million in the corresponding period of 2022. This decrease is mostly related to the end of the Canada Emergency Wage Subsidy which the Corporation received in the previous year and lags in passing through cost increases related to the inflationary situation to customers. These factors were partially offset by the acquisition of BGI Retail Inc. and, to a lesser extent, the above-mentioned higher volume. The sector's adjusted operating earnings margin decreased from 23.7% in the first six months of fiscal 2021 to 19.0% in the corresponding period of 2022. Excluding the Canada Emergency Wage Subsidy, the margin would have been 20.8% in the first six months of fiscal 2021.

Other

Revenues decreased by \$4.7 million, from \$18.0 million in the first six months of fiscal 2021 to \$13.3 million in the corresponding period of 2022. This decrease is mostly due to an increase in intersegment transactions between the Media Sector and the Printing Sector.

Adjusted operating earnings remained stable at -\$10.2 million. This is mainly due to the decrease in the stock-based compensation expense related to the share price in the second quarter of 2022, offset by additional non-recurring head office costs.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

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

Table #5:

(in millions of dollars, except per share amounts)	2022			2021			2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	13 weeks	13 weeks	14 weeks	13 weeks	13 weeks	13 weeks	13 weeks	13 weeks
Revenues	\$715.5	\$690.6	\$775.8	\$621.6	\$623.3	\$622.7	\$655.7	\$587.4
Operating earnings before depreciation and amortization ⁽¹⁾	102.8	90.7	135.8	103.4	108.9	103.3	137.4	132.7
Adjusted operating earnings before depreciation and amortization ⁽¹⁾⁽²⁾	103.6	89.0	143.1	104.2	109.4	108.1	149.3	141.9
Adjusted operating earnings margin before depreciation and amortization ⁽²⁾	14.5 %	12.9 %	18.4 %	16.8 %	17.6 %	17.4 %	22.8 %	24.2 %
Operating earnings	\$46.1	\$33.8	\$80.5	\$50.2	\$55.9	\$47.2	\$81.2	\$75.3
Adjusted operating earnings ⁽²⁾	64.1	49.3	104.9	67.4	72.6	68.6	110.1	102.1
Adjusted operating earnings margin ⁽²⁾	9.0 %	7.1 %	13.5 %	10.8 %	11.6 %	11.0 %	16.8 %	17.4 %
Net earnings attributable to shareholders of the Corporation	\$28.3	\$18.4	\$39.2	\$28.1	\$35.6	\$27.7	\$51.3	\$48.3
Net earnings attributable to shareholders of the Corporation per share	0.33	0.21	0.45	0.32	0.41	0.32	0.59	0.55
Adjusted net earnings attributable to shareholders of the Corporation ⁽²⁾	41.7	30.0	70.6	44.2	47.8	43.8	72.4	68.2
Adjusted net earnings attributable to shareholders of the Corporation per share ⁽²⁾	0.48	0.35	0.81	0.51	0.55	0.50	0.84	0.78
% of fiscal year	— %	— %	35 %	21 %	23 %	21 %	32 %	30 %

⁽¹⁾ Operating earnings before depreciation and amortization and Adjusted operating earnings before depreciation and amortization have been restated to conform to the presentation adopted in the period.

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

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

- The impact of acquisitions;
- The effect of exchange rate fluctuations;
- The effect of interest rate fluctuations;
- The impact of the change in the share price on the stock-based compensation expense;
- The impact of changes in price of raw materials, including resin and paper;
- The impact of the Canada Emergency Wage Subsidy, which is related to the pandemic.

Excluding the impact of the above-mentioned items, we can note an organic growth in revenues but a decrease in adjusted operating earnings before depreciation and amortization.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL STRUCTURE

(unaudited)

Table #6:

(in millions of dollars)	Three months ended	
	May 1, 2022	April 25, 2021
Operating activities		
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	\$106.0	\$106.1
Changes in non-cash operating items	(16.5)	(9.2)
Income taxes	(15.1)	(13.6)
Cash flows from operating activities	\$74.4	\$83.3
Investing activities		
Business combinations, net of acquired cash	(\$11.8)	\$—
Acquisitions of property, plant and equipment	(28.8)	(22.4)
Disposals of property, plant and equipment	8.1	0.2
Increase in intangible assets	(6.0)	(5.2)
Cash flows from investing activities	(\$38.5)	(\$27.4)
Financing activities		
Increase in long-term debt, net of issuance costs	\$198.6	\$—
Reimbursement of long-term debt	(\$143.0)	(\$0.1)
Net decrease in credit facilities	(53.7)	(3.4)
Financial expenses paid on long-term debt and credit facilities	(6.9)	(9.1)
Repayment of principal on lease liabilities	(6.0)	(6.0)
Interest paid on lease liabilities	(1.1)	(0.8)
Dividends	(19.6)	(19.6)
Share redemptions	(3.0)	—
Cash flows from financing activities	(\$34.7)	(\$39.0)
Effect of exchange rate changes on cash denominated in foreign currencies	\$0.6	\$0.7
Net change in cash	\$1.8	\$17.6

Financial position	As at May 1, 2022	As at October 31, 2021
Net indebtedness ⁽¹⁾	\$1,035.0	\$894.8
Net indebtedness ratio ⁽¹⁾	2.35 x	1.93 x
Credit rating		
DBRS	BBB (low)	BBB (low)
Outlook	Stable	Stable
Standard and Poor's	BBB-	BBB-
Outlook	Stable	Stable
Consolidated Statements of Financial Position	As at May 1, 2022	As at October 31, 2021
Current assets	\$974.0	\$1,125.5
Current liabilities	618.3	692.3
Total assets	3,541.8	3,612.9
Total liabilities	1,716.9	1,848.6

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

ANALYSIS OF FINANCIAL POSITION - SECOND QUARTER

Cash Flows from Operating Activities

Cash flows from operating activities decreased from \$83.3 million in the second quarter of 2021 to \$74.4 million in the second quarter of 2022. This decrease is mostly due to the change in non-cash items as a result of higher inventories, mainly in the Packaging Sector.

Cash Flows from Investing Activities

Cash flows from investing activities went from a cash outflow of \$27.4 million in the second quarter of 2021 to a cash outflow of \$38.5 million in the second quarter of 2022. This change is mainly explained by the recent acquisition of Scolab Inc. and, to a lesser extent, an increase in capital expenditures in the Packaging Sector. These factors were mitigated by the proceeds of disposal of a building.

Cash Flows from Financing Activities

Cash flows from financing activities went from a cash outflow of \$39.0 million in the second quarter of 2021 to a cash outflow of \$34.7 million in the second quarter of 2022. This change is mostly related to the decrease in financial expenses. The issuance of a private offering of unsecured senior notes amounting to \$200.0 million was offset by the early repayment of the balance of \$142.7 million (US\$112.5 million) of tranche E of the U.S. term loans that was maturing on May 1, 2022 and the amount repaid on the credit facility.

Debt Instruments

On February 1, 2022, the Corporation repaid the balance of \$142.7 million (US\$112.5 million) of tranche E of the U.S. dollar term loans that was maturing on May 1, 2022.

On February 1, 2022, the Corporation issued a private offering of Canadian dollar senior unsecured notes bearing interest at a fixed rate of 2.667%, amounting to \$200.0 million and maturing on February 3, 2025. Issuance costs of \$1.1 million were recognized against long-term debt and are amortized using the effective interest method over the duration of the private offering.

As at May 1, 2022, an amount of \$149.9 million was presented in Current liabilities, which was mainly comprised of tranche F of the U.S. dollar term loans (issued in 2018) of \$144.6 million (US\$112.5 million), maturing on May 1, 2023.

The Corporation has a credit facility amounting to \$400.0 million or the U.S. dollar equivalent, which was maturing in February 2026. On February 22, 2022, the maturity was extended until February 2027 on similar terms.

The Corporation has a credit facility with a maximum amount of US\$25.0 million (\$32.1 million), which matured in March 2022 and for which maturity was extended until March 2023 on similar terms.

As at May 1, 2022, an amount of \$50.1 million had been drawn on the credit facilities, and the available amount under the credit facilities was \$382.0 million.

Net indebtedness went from \$894.8 million as at October 31, 2021 to \$1,035.0 million as at May 1, 2022. This increase is mostly explained by the decrease in cash flows from operating activities, the acquisitions of H.S. Crocker Company, Inc. and Scolab Inc., and the investments in property, plant and equipment. Consequently, the net indebtedness ratio stood at 2.35x as at May 1, 2022 compared to 1.93x as at October 31, 2021, due to the above-mentioned items and lower adjusted operating earnings before depreciation and amortization.

Share Capital

Table #7:

Shares Issued and Outstanding	As at May 1, 2022	As at May 31, 2022
Class A (Subordinate Voting Shares)	72,774,344	72,711,344
Class B (Multiple Voting Shares)	13,912,826	13,912,826
Total Class A and Class B	86,687,170	86,624,170

On September 29, 2021, the Corporation was authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between October 1, 2021 and September 30, 2022, 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 190,300 of its Class B Shares. Repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

During the three-month period ended May 1, 2022, the Corporation repurchased and cancelled 180,000 of its Class A Subordinate Voting Shares at a weighted average price of \$16.79 per share, for a total cash consideration of \$3.0 million. The excess of the total consideration over the carrying amount of the shares, amounting to \$1.5 million, was applied against retained earnings.

During the six-month period ended May 1, 2022, the Corporation repurchased and cancelled 337,800 of its Class A Subordinate Voting Shares at a weighted average price of \$17.73 per share, for a total cash consideration of \$6.0 million. The excess of the total consideration over the carrying amount of the shares, amounting to \$3.1 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 May 1, 2022.

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 May 1, 2022, the Corporation's management excluded BGI Retail Inc. ("BGI"), H.S. Crocker Company, Inc. ("H.S. Crocker") and Scolab Inc. ("Scolab") 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.

BGI is a full-service design and in-store solutions provider for retailers and leading global brands located in Paris, Ontario. Acquired June 1, 2021, BGI has generated \$20.4 million in revenues during the six-month period ended May 1, 2022, or 1.5% of the Corporation's consolidated results.

H.S. Crocker is a manufacturer of die cut lids for the food industry and labels for the pharmaceutical industry located in Huntley, Illinois, and Exton, Pennsylvania. Acquired November 1, 2021, H.S. Crocker has generated \$34.3 million in revenues during the six-month period ended May 1, 2022, or 2.4% of the Corporation's consolidated results.

Scolab is a Montréal-based leader in the development of digital educational products. Acquired March 15, 2022, Scolab has generated \$0.5 million in revenues during the six-month period ended May 1, 2022.

Additional information about these acquisitions is presented in Table #8.

Table #8:
(unaudited)

(in millions of dollars)	BGI Retail Inc.	H.S. Crocker Company, Inc.	Scolab Inc.
Statements of financial position	As at May 1, 2022	As at May 1, 2022	As at May 1, 2022
Current assets	\$23.0	\$25.2	\$2.3
Non-current assets	71.3	39.5	1.8
Current liabilities	5.4	8.8	1.7
Non-current liabilities	27.1	0.4	0.3
Statements of earnings	Six months ended May 1, 2022	Six months ended May 1, 2022	Six months ended May 1, 2022
Revenues	\$20.4	\$34.3	\$0.5
Operating earnings before depreciation and amortization	3.9	2.0	0.1
Operating earnings	1.0	(0.2)	(0.2)

During the second quarter ended May 1, 2022, except for the information provided above, no change that has materially affected or is reasonably likely to affect the ICFR was brought to the attention of management, including the President and Chief Executive Officer and the Chief Financial Officer of the Corporation.

OUTLOOK

In the Packaging Sector, as a result of signing new contracts, introducing new products to the market and investing in new production equipment, we expect organic volume growth in fiscal year 2022 compared to fiscal 2021, excluding the impact of the 53rd week on the results for fiscal year 2021. In addition, we continue to expect an increase in adjusted operating earnings before depreciation and amortization for fiscal year 2022 compared to the prior fiscal year.

In the Printing Sector, with the significant volume in our in-store marketing activities and other growth activities, we expect revenue growth for fiscal year 2022, excluding the impact of the 53rd week on the results for fiscal year 2021. In addition, excluding amounts related to the Canada Emergency Wage Subsidy and the impact of the 53rd week on the results for fiscal year 2021, we expect an increase in adjusted operating earnings before depreciation and amortization for fiscal year 2022 compared to fiscal year 2021.

Finally, we expect to continue generating significant cash flows from operating activities. These cash flows are expected to enable us to reduce our net indebtedness, while providing us with the flexibility needed to pursue our investments focused on organic growth as well as strategic and targeted acquisitions.

On behalf of Management,

(s) *Donald LeCavalier*
Chief Financial Officer

June 8, 2022

CONSOLIDATED STATEMENTS OF EARNINGS

Unaudited

(in millions of Canadian dollars, unless otherwise indicated and per share data)	Notes	Three months ended		Six months ended	
		May 1, 2022	April 25, 2021 ⁽¹⁾	May 1, 2022	April 25, 2021 ⁽¹⁾
Revenues	3	\$ 715.5	\$ 623.3	\$ 1,406.1	\$ 1,246.0
Operating expenses	5	611.9	513.9	1,213.5	1,028.5
Restructuring and other costs (revenues)	6	0.8	0.5	(0.9)	5.3
Operating earnings before depreciation and amortization		102.8	108.9	193.5	212.2
Depreciation and amortization	7	56.7	53.0	113.6	109.1
Operating earnings		46.1	55.9	79.9	103.1
Net financial expenses	8	9.9	9.5	19.7	20.3
Earnings before income taxes		36.2	46.4	60.2	82.8
Income taxes	9	7.9	10.8	13.6	19.4
Net earnings		28.3	35.6	46.6	63.4
Non-controlling interest		—	—	(0.1)	0.1
Net earnings attributable to the shareholders of the Corporation		\$ 28.3	\$ 35.6	\$ 46.7	\$ 63.3
Net earnings per share - basic and diluted		\$ 0.33	\$ 0.41	\$ 0.54	\$ 0.73
Weighted average number of shares outstanding - basic and diluted (in millions)		86.8	87.0	86.9	87.0

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended		Six months ended	
		May 1, 2022	April 25, 2021	May 1, 2022	April 25, 2021
Net earnings		\$ 28.3	\$ 35.6	\$ 46.6	\$ 63.4
Other comprehensive income (loss)					
Items that will be or may be subsequently reclassified to net earnings					
Net change related to cash flow hedges					
Net change in the fair value of designated derivatives - foreign exchange risk		(0.5)	1.1	(4.1)	5.4
Net change in the fair value of designated derivatives - interest rate risk	10	2.6	2.7	3.4	2.3
Reclassification of the net change in the fair value of designated derivatives recognized in net earnings during the period		0.6	3.0	1.5	6.2
Related income taxes		0.7	1.8	0.2	3.7
	14	2.0	5.0	0.6	10.2
Cumulative translation differences					
Net unrealized exchange gains (losses) on the translation of the financial statements of foreign operations		7.8	(33.3)	52.4	(82.1)
Net gains (losses) on hedge of the net investment in foreign operations	10	2.7	15.3	(10.2)	38.8
Related income taxes		1.1	1.9	(0.2)	4.9
	14	9.4	(19.9)	42.4	(48.2)
Items that will not be reclassified to net earnings					
Changes related to defined benefit plans					
Actuarial gains on defined benefit plans		17.3	21.9	22.0	12.2
Related income taxes		4.6	5.6	5.9	2.8
	14	12.7	16.3	16.1	9.4
Other comprehensive income (loss)	14	24.1	1.4	59.1	(28.6)
Comprehensive income		\$ 52.4	\$ 37.0	\$ 105.7	\$ 34.8

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

(in millions of Canadian dollars)	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total	Non- controlling interest	Total equity
Balance as at October 31, 2021		\$ 640.0	\$ 0.9	\$ 1,159.5	\$ (41.3)	\$ 1,759.1	\$ 5.2	\$ 1,764.3
Net earnings		—	—	46.7	—	46.7	(0.1)	46.6
Other comprehensive income		—	—	—	59.1	59.1	—	59.1
Shareholders' contributions and distributions to shareholders								
Share redemptions	12	(2.9)	—	(3.1)	—	(6.0)	—	(6.0)
Dividends	12	—	—	(39.1)	—	(39.1)	—	(39.1)
Balance as at May 1, 2022		\$ 637.1	\$ 0.9	\$ 1,164.0	\$ 17.8	\$ 1,819.8	\$ 5.1	\$ 1,824.9
Balance as at October 25, 2020		\$ 640.0	\$ 0.9	\$ 1,107.2	\$ (14.8)	\$ 1,733.3	\$ 5.3	\$ 1,738.6
Net earnings		—	—	63.3	—	63.3	0.1	63.4
Other comprehensive loss		—	—	—	(28.6)	(28.6)	—	(28.6)
Shareholders' contributions and distributions to shareholders								
Dividends	12	—	—	(39.2)	—	(39.2)	—	(39.2)
Balance as at April 25, 2021		\$ 640.0	\$ 0.9	\$ 1,131.3	\$ (43.4)	\$ 1,728.8	\$ 5.4	\$ 1,734.2

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 May 1, 2022	As at October 31, 2021
Current assets			
Cash		\$ 24.8	\$ 231.1
Accounts receivable		492.6	496.1
Income taxes receivable		9.9	16.9
Inventories		426.1	357.0
Prepaid expenses and other current assets		20.6	24.4
		974.0	1,125.5
Property, plant and equipment			
		726.8	689.7
Right-of-use assets			
		147.1	140.8
Intangible assets			
Goodwill		501.9	513.0
Deferred taxes		1,124.0	1,086.6
Other assets		18.6	18.6
		49.4	38.7
		\$ 3,541.8	\$ 3,612.9
Current liabilities			
Accounts payable and accrued liabilities		\$ 414.8	\$ 439.2
Provisions		0.7	1.5
Income taxes payable		13.3	28.9
Deferred revenues and deposits		15.5	12.3
Current portion of long-term debt	10	149.9	187.3
Current portion of lease liabilities		24.1	23.1
		618.3	692.3
Long-term debt	10	743.7	778.2
Lease liabilities		142.1	137.3
Deferred taxes		122.5	137.3
Provisions		0.3	0.6
Other liabilities	11	90.0	102.9
		1,716.9	1,848.6
Equity			
Share capital	12	637.1	640.0
Contributed surplus		0.9	0.9
Retained earnings		1,164.0	1,159.5
Accumulated other comprehensive income (loss)	14	17.8	(41.3)
Attributable to the shareholders of the Corporation		1,819.8	1,759.1
Non-controlling interest		5.1	5.2
		1,824.9	1,764.3
		\$ 3,541.8	\$ 3,612.9

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		Six months ended	
		May 1, 2022	April 25, 2021 ⁽¹⁾	May 1, 2022	April 25, 2021 ⁽¹⁾
Operating activities					
Net earnings		\$ 28.3	\$ 35.6	\$ 46.6	\$ 63.4
Adjustments to reconcile net earnings and cash flows from operating activities:					
Depreciation and amortization	7	56.7	53.0	113.6	109.1
Financial expenses on long-term debt and lease liabilities	8	8.1	9.3	18.2	18.8
Net (gains) losses on disposal of assets		(6.1)	0.3	(5.9)	0.6
Income taxes	9	7.9	10.8	13.6	19.4
Net foreign exchange differences and other		11.1	(2.9)	7.8	1.1
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		106.0	106.1	193.9	212.4
Changes in non-cash operating items		(16.5)	(9.2)	(81.4)	(21.7)
Income taxes paid		(15.1)	(13.6)	(44.5)	(22.7)
Cash flows from operating activities		74.4	83.3	68.0	168.0
Investing activities					
Business combinations, net of acquired cash		(11.8)	—	(57.5)	—
Acquisitions of property, plant and equipment		(28.8)	(22.4)	(56.9)	(49.7)
Disposals of property, plant and equipment		8.1	0.2	8.1	0.3
Increase in intangible assets		(6.0)	(5.2)	(12.1)	(9.7)
Cash flows from investing activities		(38.5)	(27.4)	(118.4)	(59.1)
Financing activities					
Increase in long-term debt, net of issuance costs	10	198.6	—	198.6	—
Reimbursement of long-term debt	10	(143.0)	(0.1)	(329.7)	(83.5)
Net increase (decrease) in credit facilities	10	(53.7)	(3.4)	49.8	—
Financial expenses paid on long-term debt and credit facilities	8 & 10	(6.9)	(9.1)	(17.1)	(16.7)
Repayment of principal on lease liabilities		(6.0)	(6.0)	(12.5)	(11.4)
Interest paid on lease liabilities		(1.1)	(0.8)	(1.6)	(1.7)
Dividends	12	(19.6)	(19.6)	(39.1)	(39.2)
Share redemptions	12	(3.0)	—	(6.0)	—
Cash flows from financing activities		(34.7)	(39.0)	(157.6)	(152.5)
Effect of exchange rate changes on cash denominated in foreign currencies		0.6	0.7	1.7	2.2
Net change in cash		1.8	17.6	(206.3)	(41.4)
Cash at beginning of period		23.0	182.0	231.1	241.0
Cash at end of period		\$ 24.8	\$ 199.6	\$ 24.8	\$ 199.6
Non-cash investing activities					
Net change in capital asset acquisitions financed by accounts payable		\$ (2.3)	\$ (0.1)	\$ 1.0	\$ 0.4

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

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended May 1, 2022 and April 25, 2021

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

1 GENERAL INFORMATION

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

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

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

The Corporation's Board of Directors approved these condensed interim consolidated financial statements on June 8, 2022.

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 31, 2021, which include the significant accounting policies used by the Corporation except as noted 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 May 1, 2022. Any subsequent changes to the accounting policies that will take effect in the Corporation's annual consolidated financial statements for the year ending October 30, 2022 or after could result in a restatement of these condensed interim consolidated financial statements.

Configuration or customization costs under a cloud computing arrangement (IAS 38 "Intangible Assets")

In March 2021, the International Financial Reporting Interpretations Committee ("IFRIC") issued a final agenda decision on Configuration or customization costs (IAS 38 "Intangible Assets"), which clarifies how to account for certain configuration or customization costs under cloud computing arrangements. As a result, configuration or customization costs were expensed in the three-month and six-month periods ended May 1, 2022 under Restructuring and other costs (revenues) (Note 6).

Derivative financial instruments and hedge accounting

For derivative financial instruments designated as fair value hedges, the change in fair value of hedging derivative financial instruments is recognized in the Consolidated Statements of Earnings, along with changes in the fair value of hedged assets or liabilities attributable to the hedged risk. The amount of the gain or loss attributable to the hedged risk is applied to the carrying amount of the hedged item. When the changes in the fair value of the hedging derivative financial instruments and the hedged item do not fully offset, the resulting amount, which represents the ineffective portion of the relationship, is recognized under Net financial expenses in the Consolidated Statements of Earnings.

Critical judgments and sources of estimation uncertainty

The preparation of consolidated interim financial statements in accordance with IFRS requires the Corporation's management to make estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenues and expenses reported for the relevant periods. Detailed information on estimates, assumptions and critical judgments used by the Corporation is presented in the audited annual consolidated financial statements for the fiscal year ended October 31, 2021. Although management regularly reviews its estimates, actual results may differ.

The Corporation considered the context of the COVID-19 pandemic and the related climate of economic uncertainty in making its most complex estimates and assumptions, including significant judgment areas, used in preparing the interim consolidated financial statements for the six-month period ended May 1, 2022. In considering the impact of the COVID-19 pandemic on financial reporting, the Corporation determined whether there was an indication that assets, cash-generating units ("CGUs") or groups of CGUs might be impaired and assessed the credit risk on receivables. These revisions of estimates had no material impact on the six-month period ended May 1, 2022. Additional revisions might be required in the future depending on the development of the COVID-19 pandemic and its impact on the Corporation's results of operations and financial position, and this could have an impact on the final measurement of the carrying amount of the Corporation's assets.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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Quarters ended May 1, 2022 and April 25, 2021

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3 SEGMENTED INFORMATION

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

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

The Printing Sector generates revenues from an integrated service offering 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 and specialized publications for professionals. 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 May 1, 2022	Packaging	Printing	Other	Consolidated Results
Revenues	\$ 421.5	\$ 291.9	\$ 2.1	\$ 715.5
Operating expenses	369.1	237.2	5.6	611.9
Restructuring and other costs (revenues)	5.6	0.8	(5.6)	0.8
Operating earnings before depreciation and amortization	46.8	53.9	2.1	102.8
Depreciation and amortization	35.7	16.1	4.9	56.7
Operating earnings ⁽²⁾	\$ 11.1	\$ 37.8	\$ (2.8)	\$ 46.1
Adjusted operating earnings before depreciation and amortization ⁽³⁾	\$ 52.4	\$ 54.7	\$ (3.5)	\$ 103.6
Adjusted operating earnings ^{(2) & (3)}	31.8	40.6	(8.3)	64.1
Acquisitions of non-current assets ⁽⁴⁾	\$ 25.7	\$ 5.3	\$ 7.9	\$ 38.9

For the three-month period ended April 25, 2021 ⁽¹⁾	Packaging	Printing	Other	Consolidated Results
Revenues	\$ 348.1	\$ 268.3	\$ 6.9	\$ 623.3
Operating expenses	298.9	201.0	14.0	513.9
Restructuring and other costs (revenues)	(1.9)	1.9	0.5	0.5
Operating earnings before depreciation and amortization	51.1	65.4	(7.6)	108.9
Depreciation and amortization	32.9	15.0	5.1	53.0
Operating earnings ⁽²⁾	\$ 18.2	\$ 50.4	\$ (12.7)	\$ 55.9
Adjusted operating earnings before depreciation and amortization ⁽³⁾	\$ 49.2	\$ 67.3	\$ (7.1)	\$ 109.4
Adjusted operating earnings ^{(2) & (3)}	31.2	53.5	(12.1)	72.6
Acquisitions of non-current assets ⁽⁴⁾	\$ 18.2	\$ 4.1	\$ 5.3	\$ 27.6

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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3 SEGMENTED INFORMATION (CONTINUED)

For the six-month period ended May 1, 2022	Packaging	Printing	Other	Consolidated results
Revenues	\$ 805.5	\$ 587.3	\$ 13.3	\$ 1,406.1
Operating expenses	714.2	475.8	23.5	1,213.5
Restructuring and other costs (revenues)	2.7	1.8	(5.4)	(0.9)
Operating earnings before depreciation and amortization	88.6	109.7	(4.8)	193.5
Depreciation and amortization	71.5	32.6	9.5	113.6
Operating earnings ⁽²⁾	\$ 17.1	\$ 77.1	\$ (14.3)	\$ 79.9
Adjusted operating earnings before depreciation and amortization ⁽³⁾	\$ 91.3	\$ 111.5	\$ (10.2)	\$ 192.6
Adjusted operating earnings ^{(2) & (3)}	50.1	82.9	(19.6)	113.4
Acquisitions of non-current assets ⁽⁴⁾	\$ 49.1	\$ 10.2	\$ 13.8	\$ 73.1
<hr/>				
For the six-month period ended April 25, 2021 ⁽¹⁾	Packaging	Printing	Other	Consolidated results
Revenues	\$ 685.3	\$ 542.7	\$ 18.0	\$ 1,246.0
Operating expenses	586.0	414.3	28.2	1,028.5
Restructuring and other costs (revenues)	(1.8)	5.0	2.1	5.3
Operating earnings before depreciation and amortization	101.1	123.4	(12.3)	212.2
Depreciation and amortization	67.7	31.0	10.4	109.1
Operating earnings ⁽²⁾	\$ 33.4	\$ 92.4	\$ (22.7)	\$ 103.1
Adjusted operating earnings before depreciation and amortization ⁽³⁾	\$ 99.3	\$ 128.4	\$ (10.2)	\$ 217.5
Adjusted operating earnings ^{(2) & (3)}	61.9	99.8	(20.5)	141.2
Acquisitions of non-current assets ⁽⁴⁾	\$ 41.2	\$ 8.5	\$ 10.2	\$ 59.9

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

⁽²⁾ Net financial expenses and income tax expense are managed on a centralized basis and, consequently, these line items are not allocated between the various sectors. As a result, the line items "Earnings before income taxes" and "Net earnings" are not presented by sector.

⁽³⁾ 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 (revenues), impairment of assets and amortization of intangible assets arising from business combinations (only for adjusted operating earnings as it relates to amortization of intangible assets arising from business combinations).

⁽⁴⁾ These amounts exclude acquisitions of property, plant and equipment and intangible assets arising from business combinations, whether paid or not.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

3 SEGMENTED INFORMATION (CONTINUED)

Additional information on revenues

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

	Three months ended		Six months ended	
	May 1, 2022	April 25, 2021 ⁽¹⁾	May 1, 2022	April 25, 2021 ⁽¹⁾
Packaging products ⁽¹⁾				
Revenues generated from plants located in Canada	\$ 43.6	\$ 34.2	\$ 82.0	\$ 67.7
Revenues generated from plants located in the United States	325.6	266.6	617.4	511.7
Revenues generated from plants located outside Canada and the United States	52.3	47.3	106.1	105.9
	421.5	348.1	805.5	685.3
Printing services ⁽²⁾				
Retailer-related services ⁽³⁾	143.1	140.7	293.6	295.6
Marketing products	74.3	61.6	153.2	115.5
Magazines and books	52.9	43.0	97.4	86.3
Newspapers	21.6	23.0	43.1	45.3
	291.9	268.3	587.3	542.7
Media ⁽²⁾	10.5	11.0	24.9	24.7
Inter-segment sales	(8.4)	(4.1)	(11.6)	(6.7)
	\$ 715.5	\$ 623.3	\$ 1,406.1	\$ 1,246.0

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

	As at May 1, 2022	As at October 31, 2021
Packaging	\$ 2,338.2	\$ 2,200.7
Printing	974.7	1,000.4
Other ⁽⁴⁾	228.9	411.8
	\$ 3,541.8	\$ 3,612.9

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

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

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

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

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4 BUSINESS COMBINATIONS

Business combinations

Transactions for the six-month period ended May 1, 2022

• H.S. Crocker

On November 1, 2021, the Corporation acquired all the shares of H.S. Crocker Co., Inc. ("H.S. Crocker"), a manufacturer of die cut lids for the food industry and labels for the pharmaceutical industry located in Huntley, Illinois, and Exton, Pennsylvania, for a total consideration of \$53.1 million, subject to adjustments. This acquisition enables the Corporation to broaden its packaging solutions portfolio as well as expand its pharmaceutical and medical expertise in the specialized coating products offering.

As at May 1, 2022, the accounting for the H.S. Crocker business combination was not completed and was based on information available as at the date of these interim Consolidated Financial Statements. The recognized goodwill is negligible and is not deductible for tax purposes. The accounting for the business combination remains provisional as at May 1, 2022 and will be finalized in the coming quarters.

The Corporation's Consolidated Statements of Earnings for the six-month period ended May 1, 2022 include the operating results of H.S. Crocker since its acquisition date, namely additional revenues of \$34.3 million and operating earnings before depreciation and amortization of \$2.0 million, including adjustments related to the accounting for this acquisition and excluding negligible transaction costs.

• Scolab

On March 14, 2022, the Corporation acquired all the shares of Scolab Inc. ("Scolab"), a leader in the development of digital educational products. The transaction was completed for a purchase price of \$12.5 million, subject to adjustments, including a purchase price holdback of \$0.1 million payable 12 months after the closing date of the transaction provided no compensation for damages is claimed by the Corporation during the reference period. Scolab is known for Netmath, distributed in Canada in both French and English, and Buzzmath, distributed in the United States. These products are used by thousands of students and teachers across North America. This acquisition allows the Corporation to expand and diversify its digital educational product offering for elementary and secondary schools.

As at May 1, 2022, the accounting for the Scolab business combination was not completed and was based on information available as of the date of these Interim Consolidated Financial Statements. The provisional purchase price allocation for Scolab resulted in the recognition of goodwill totaling \$11.1 million. The recognized goodwill is not deductible for tax purposes. The accounting for the business combination remains provisional as at May 1, 2022, and will be finalized in the coming quarters.

The Corporation's Consolidated Statements of Earnings for the six-month period ended May 1, 2022 include the operating results of Scolab since its acquisition date, namely additional revenues of \$0.5 million and operating earnings before depreciation and amortization of \$0.1 million, including adjustments related to the accounting for this acquisition and excluding negligible transaction costs. If the Corporation had acquired this entity at the beginning of the six-month period ended May 1, 2022, revenues would have increased by \$1.9 million and operating earnings before depreciation and amortization would have increased by \$0.9 million.

5 OPERATING EXPENSES

	Three months ended		Six months ended	
	May 1, 2022	April 25, 2021 ⁽¹⁾	May 1, 2022	April 25, 2021 ⁽¹⁾
Employee-related costs ⁽²⁾	\$ 189.6	\$ 167.0	\$ 376.1	\$ 330.5
Supply chain and logistics ⁽³⁾	396.8	320.5	780.5	646.2
Other goods and services ⁽⁴⁾	25.5	26.4	56.9	51.8
	\$ 611.9	\$ 513.9	\$ 1,213.5	\$ 1,028.5

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

⁽²⁾ During the three-month periods ended May 1, 2022 and April 25, 2021, the Corporation recognized against eligible salary expenses amounts claimed under the Canada Emergency Wage Subsidy of nil and \$7.5 million. During the six-month periods ended May 1, 2022 and April 25, 2021, the Corporation recognized against eligible salary expenses amounts claimed under the Canada Emergency Wage Subsidy of \$0.2 million and \$16.5 million, respectively.

⁽³⁾ "Supply chain and logistics" includes mainly production and distribution costs related to external suppliers.

⁽⁴⁾ "Other goods and services" includes mainly promotion, advertising and telecommunications costs, office supplies, real estate expenses and professional fees.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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6 RESTRUCTURING AND OTHER COSTS (REVENUES)

	Note	Three months ended		Six months ended	
		May 1, 2022	April 25, 2021	May 1, 2022	April 25, 2021
Workforce reductions ⁽¹⁾		\$ 0.5	\$ 1.7	\$ 1.3	\$ 4.2
Costs related to plant closures and restructuring ⁽¹⁾		—	0.8	—	1.6
Net gains on sale of buildings		(6.1)	—	(6.1)	—
Onerous contracts		—	—	—	1.2
Business acquisition and integration costs ⁽²⁾		0.3	0.1	0.5	0.2
Configuration or customization costs under cloud computing arrangements	2	5.7	—	5.7	—
Fair value remeasurement of contingent considerations related to business combinations		—	(3.2)	—	(3.4)
Other elements ⁽³⁾		0.4	1.1	(2.3)	1.5
		\$ 0.8	\$ 0.5	\$ (0.9)	\$ 5.3

⁽¹⁾ For the three-month and six-month periods ended May 1, 2022 and April 25, 2021, amounts presented under these captions include termination payments to employees as part of plant closures or workforce reorganizations, mainly in the Printing Sector, as well as related costs associated with such restructuring.

⁽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, as well as integration costs related to acquired companies.

⁽³⁾ For the six-month period May 1, 2022, amounts presented under this caption include mainly a net gain of \$4.2 million related to insurance proceeds receivable for the replacement of equipment destroyed by fire, less the loss on derecognition of such asset.

7 DEPRECIATION AND AMORTIZATION

	Three months ended		Six months ended	
	May 1, 2022	April 25, 2021 ⁽¹⁾	May 1, 2022	April 25, 2021 ⁽¹⁾
Property, plant and equipment	\$ 29.0	\$ 27.0	\$ 58.3	\$ 56.4
Right-of-use assets	6.0	5.5	12.2	11.1
Intangible assets	21.7	20.5	43.1	41.6
	\$ 56.7	\$ 53.0	\$ 113.6	\$ 109.1

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

8 NET FINANCIAL EXPENSES

	Three months ended		Six months ended	
	May 1, 2022	April 25, 2021	May 1, 2022	April 25, 2021
Financial expenses on long-term debt	\$ 7.3	\$ 8.4	\$ 16.6	\$ 17.1
Interest on lease liabilities	0.8	0.9	1.6	1.7
Net interest on defined benefit asset and liability	0.5	0.5	0.8	1.0
Other expenses	0.4	0.3	1.5	0.5
Net foreign exchange losses (gains)	0.9	(0.6)	(0.8)	—
	\$ 9.9	\$ 9.5	\$ 19.7	\$ 20.3

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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		Six months ended	
	May 1, 2022	April 25, 2021	May 1, 2022	April 25, 2021
Earnings before income taxes	\$ 36.2	\$ 46.4	\$ 60.2	\$ 82.8
Canadian statutory tax rate ⁽¹⁾	26.50 %	26.50 %	26.50 %	26.50 %
Income taxes at the statutory tax rate	9.6	12.3	16.0	21.9
Effect of differences in tax rates and additional income taxes in other jurisdictions	(1.5)	(1.0)	(3.5)	(2.8)
Income taxes on non-deductible expenses and non-taxable revenues	0.3	0.2	0.7	0.9
Income taxes on non-deductible restructuring and other costs and non-taxable revenues	(0.3)	(0.5)	(0.3)	(0.5)
Change in deferred tax assets on tax losses or temporary differences not previously recognized	0.1	(0.3)	0.1	(0.2)
Adjustment for previous years' balances	—	—	1.0	—
Other	(0.3)	0.1	(0.4)	0.1
Income taxes at effective tax rate	\$ 7.9	\$ 10.8	\$ 13.6	\$ 19.4
Income taxes before the following items:	\$ 12.5	\$ 15.3	\$ 22.1	\$ 29.2
Income taxes on amortization of intangible assets arising from business combinations	(4.2)	(3.9)	(8.5)	(7.9)
Income taxes on restructuring and other costs	(0.4)	(0.6)	—	(1.9)
Income taxes at effective tax rate	\$ 7.9	\$ 10.8	\$ 13.6	\$ 19.4

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

10 LONG-TERM DEBT

As at May 1, 2022, an amount of \$149.9 million was presented in Current liabilities, which was mainly comprised of tranche F of the U.S. dollar term loans (issued in 2018) of \$144.6 million (US\$112.5 million), maturing on May 1, 2023.

New financing

On February 1, 2022, the Corporation issued a private offering of Canadian dollar senior unsecured notes bearing interest at a fixed rate of 2.667%, amounting to \$200.0 million and maturing on February 3, 2025. Issuance costs of \$1.1 million were recognized against long-term debt and are amortized using the effective interest method over the duration of the private offering.

Repayment of term loans

On November 1, 2021, the Corporation repaid early the balance of \$185.8 million (US\$150.0 million) of tranche D of the U.S. dollar term loans (issued in 2018) that was maturing on May 1, 2022.

On February 1, 2022, the Corporation repaid early the balance of \$142.7 million (US\$112.5 million) of tranche E of the U.S. dollar term loans (issued in 2018) that was maturing on November 1, 2022.

Credit facilities

The Corporation has a credit facility amounting to \$400.0 million or the U.S. dollar equivalent, which was maturing in February 2026. On February 22, 2022, the maturity was extended until February 2027 on similar terms.

The Corporation has another credit facility with a maximum amount of US\$25.0 million (\$32.1 million), which was maturing in March 2022 and for which maturity was extended until March 2023 on similar terms.

As at May 1, 2022, an amount of \$50.1 million had been drawn on the credit facilities, and the unused amount under the credit facilities was \$382.0 million.

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10 LONG-TERM DEBT (CONTINUED)

Hedging instruments

During the three-month period ended May 1, 2022, concurrently with the issuance of the private offering of unsecured notes amounting to \$200.0 million and bearing interest at a fixed rate of 2.667%, the Corporation entered into cross-currency fixed-to-floating interest rate swaps (CAD fixed/USD floating) amounting to \$200.0 million (US\$157.1 million) and maturing in February 2025, to convert into U.S. dollars the proceeds of the private offering received in Canadian dollars and fix the exchange rate that will be applicable upon repaying the private offering at maturity.

As at May 1, 2022, for hedges of its net investment in foreign operations, the Corporation had designated an amount of US\$33.9 million (\$43.6 million) of existing U.S. dollar term loans and credit facilities in addition to the notional amount of \$250.0 million (US\$200.4 million) of its cross-currency fixed interest rate swaps and the notional amount of \$200.0 million (US\$157.1 million) of the portion of its cross-currency fixed-to-floating interest rate swaps related to the floating interest rate and currencies (CAD floating/USD floating portion). Consequently, during the three-month and six-month periods ended May 1, 2022, a foreign exchange gain of \$2.7 million and a foreign exchange loss of \$10.2 million were recognized in other comprehensive income (loss), respectively. For comparison purposes, during the three-month and six-month periods ended April 25, 2021, foreign exchange gains of \$15.3 million and \$38.8 million were recognized in other comprehensive income (loss), respectively.

For fair value hedges related to the private offering, the Corporation had designated as hedging instrument a notional amount of \$200.0 million of the portion of its cross-currency fixed-to-floating interest rate swaps related to the fixed-to-floating interest rate (CAD fixed/CAD floating portion) to hedge the change in fair value of the private offering resulting from fluctuations in the benchmark rate. Consequently, during the three-month and six-month periods ended May 1, 2022, a net gain of \$0.1 million was recognized in the Consolidated Statements of Earnings, which corresponds to a gain of \$5.9 million recognized against the fair value adjustment of hedged items attributable to hedged risks presented under Long-term debt in the Consolidated Statements of Financial Position, offset by a loss of \$5.8 million on designated hedging instruments.

As at May 1, 2022, for cash flow hedges related to interest rate risk, the Corporation had also designated as hedging instruments its interest rate swaps amounting to US\$225.0 million. Consequently, during the three-month and six-month periods ended May 1, 2022, the change in fair value of these hedging instruments, namely gains of \$2.6 million and \$3.4 million, respectively, were recognized in other comprehensive income (loss). For comparison purposes, during the three-month and six-month periods ended April 25, 2021, gains of \$2.7 million and \$2.3 million were recognized in other comprehensive income (loss), respectively.

The Corporation must comply with certain restrictive covenants, including maintaining certain financial ratios. During the three-month and six-month periods ended May 1, 2022, the Corporation has not been in default under any covenants.

11 OTHER LIABILITIES

	Note	As at May 1, 2022	As at October 31, 2021
Deferred revenues		\$ 0.5	\$ 1.1
Accrued liabilities and other liabilities		14.4	14.2
Stock-based compensation	13	7.1	15.5
Defined benefit liability		53.0	62.2
Derivative financial instruments		15.0	9.9
		\$ 90.0	\$ 102.9

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12 SHARE CAPITAL

	Number of shares	Amount
Class A Subordinate Voting Shares		
Balance as at October 31, 2021	73,112,144	\$ 621.1
Shares redeemed and cancelled	(337,800)	(2.9)
Balance as at May 1, 2022	72,774,344	618.2
Class B Shares		
Balance as at October 31, 2021	13,912,826	18.9
Balance as at May 1, 2022	13,912,826	18.9
	86,687,170	\$ 637.1

Share redemptions

On September 29, 2021, 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, 2021 and September 30, 2022, 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 190,300 of its Class B Shares. Repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

During the six-month period ended May 1, 2022, the Corporation redeemed and cancelled 337,800 of its Class A Subordinate Voting Shares at a weighted average price of \$17.73 per share, for a total cash consideration of \$6.0 million. The excess of the total consideration over the carrying amount of the shares, amounting to \$3.1 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 May 1, 2022.

During the six-month period ended April 25, 2021, the Corporation did not repurchase any of its Class A Subordinate Voting Shares or Class B Shares. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at April 25, 2021.

Dividends

Dividends of \$0.225 per share were declared and paid to holders of shares for the three-month periods ended May 1, 2022 and April 25, 2021. Dividends of \$0.45 per share were declared and paid to holders of shares for the six-month periods ended May 1, 2022 and April 25, 2021.

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

13 STOCK-BASED COMPENSATION

Share unit plan for certain officers and senior executives

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

The following table presents the changes in the plan's status for the six-month period ended May 1, 2022:

	Number of units	
	DSU	RSU
Balance as at October 31, 2021	566,250	1,441,170
Units granted	97,026	518,869
Units cancelled	(4,270)	(22,466)
Units paid	—	(243,406)
Units converted	7,157	—
Dividends paid in units	17,147	36,256
Balance as at May 1, 2022	683,310	1,730,423

As at May 1, 2022, the liability related to the share unit plan for certain officers and senior executives was \$27.2 million (\$31.5 million as at October 31, 2021). The amounts recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended May 1, 2022 were a gain of \$5.7 million and an expense of \$1.0 million, respectively. The expenses recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 25, 2021 were \$5.7 million and \$12.9 million, respectively. Amounts of nil and \$5.3 million were paid under this plan for the three-month and six-month periods ended May 1, 2022, respectively. Amounts of \$0.1 million and \$2.4 million were paid under this plan for the three-month and six-month periods ended April 25, 2021, 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 six-month period ended May 1, 2022:

	Number of units
Balance as at October 31, 2021	308,012
Directors' compensation	24,670
Dividends paid in units	7,591
Balance as at May 1, 2022	340,273

As at May 1, 2022, the liability related to the share unit plan for directors was \$5.7 million (\$6.3 million as at October 31, 2021). The gains recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended May 1, 2022 were \$1.4 million and \$0.6 million, respectively. The expenses recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 25, 2021 were \$0.9 million and \$2.7 million, respectively. No amount was paid under this plan during the three-month and six-month periods ended May 1, 2022. Amounts of nil and \$2.2 million were paid under this plan during the three-month and six-month periods ended April 25, 2021, respectively.

Total return swap

As at May 1, 2022, the total return swap, which enables the Corporation to hedge a portion of stock-based compensation that varies based on the price of the Corporation's shares, covered 1,200,000 units purchased at a weighted average price of \$20.01 per unit. Expenses recognized in the Consolidated Statements of Earnings for the three-month and six-month periods ended May 1, 2022 were \$6.0 million and 4.1 million, respectively. Gains recognized in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 25, 2021 were \$2.9 million and 6.8 million, respectively. An amount of \$0.2 million was received and an amount of \$0.5 million was paid under the total return swap during the three-month and six-month periods ended May 1, 2022, respectively. Amounts of \$4.4 million and \$4.6 million were received under the total return swap during the three-month and six-month periods ended April 25, 2021, respectively.

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14 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 31, 2021	\$ (1.3)	\$ 25.1	\$ (52.9)	\$ (12.2)	\$ (41.3)
Net change in gains (losses), net of income taxes	0.6	(10.0)	52.4	16.1	59.1
Balance as at May 1, 2022	\$ (0.7)	\$ 15.1	\$ (0.5)	\$ 3.9	\$ 17.8
Balance as at October 25, 2020	\$ (16.4)	\$ (10.1)	\$ 40.3	\$ (28.6)	\$ (14.8)
Net change in gains (losses), net of income taxes	10.2	33.9	(82.1)	9.4	(28.6)
Balance as at April 25, 2021	\$ (6.2)	\$ 23.8	\$ (41.8)	\$ (19.2)	\$ (43.4)

As at May 1, 2022, the amounts expected to be reclassified to net earnings in future years are as follows:

	2022	2023	2024	Total
Net change in the fair value of derivatives designated as cash flow hedges	\$ 0.7	\$ (1.1)	\$ (0.5)	\$ (0.9)
Related income taxes	0.2	(0.3)	(0.1)	(0.2)
	\$ 0.5	\$ (0.8)	\$ (0.4)	\$ (0.7)

Actuarial gains (losses) on defined benefit plans

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

	Three months ended		Six months ended	
	May 1, 2022	April 25, 2021	May 1, 2022	April 25, 2021
Actuarial gains (losses) on obligation - change in discount rate	\$ 102.0	\$ 59.1	\$ 120.0	\$ 41.1
Actuarial gains (losses) on plan assets - excluding interest income	(69.6)	(37.4)	(82.6)	(30.7)
Effect of the asset ceiling	(15.1)	0.2	(15.4)	1.8
Related income taxes	4.6	5.6	5.9	2.8
	\$ 12.7	\$ 16.3	\$ 16.1	\$ 9.4

Actuarial gains and losses on obligation recognized in the Statements of Comprehensive Income for the three-month and six-month periods ended May 1, 2022 are explained by the change in the discount rate, which increased from 3.40% as at October 31, 2021 to 4.90% as at May 1, 2022 in Canada, and from 2.90% as at October 31, 2021 to 4.30% as at May 1, 2022 in the United States. Actuarial gains and losses on plan assets are due to the fact that actual rates of return on assets were lower than expected returns for the three-month and six-month periods ended May 1, 2022.

Actuarial gains and losses on obligation recognized in the Statements of Comprehensive Income for the three-month and six-month periods ended April 25, 2021 are explained by the change in the discount rate, which increased from 2.89% as at October 25, 2020 to 3.30% as at April 25, 2021 in Canada, and from 2.70% as at October 25, 2020 to 3.00% as at April 25, 2021 in the United States. Actuarial gains and losses on plan assets are attributable to the fact that actual rates of return on assets were overall lower than expected returns for the three-month and six-month periods ended April 25, 2021.

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15 FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

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

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

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

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

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

	As at May 1, 2022		As at October 31, 2021	
	Fair value	Carrying amount	Fair value	Carrying amount
Assets				
Foreign exchange forward contracts	\$ 2.2	\$ 2.2	\$ 7.2	\$ 7.2
Liabilities				
Contingent considerations	(10.0)	(10.0)	(10.0)	(10.0)
Long-term debt	(843.1)	(893.6)	(962.1)	(965.5)
Interest rate swaps	(0.6)	(0.6)	(9.5)	(9.5)
Cross-currency interest rate swaps	(12.9)	(12.9)	(2.5)	(2.5)
Total return swaps	(4.7)	(4.7)	(1.4)	(1.4)
Foreign exchange forward contract	(3.0)	(3.0)	(0.7)	(0.7)

These financial instruments are classified in Level 2 of the fair value hierarchy, except for contingent considerations payable related to business combinations, which are classified in Level 3. During the six-month period ended May 1, 2022, no financial instruments were transferred between Levels 1, 2 and 3.

Sensitivity analysis of Level 3 financial instruments

During the six-month period ended May 1, 2022, there were no changes in the fair value of Level 3 financial instruments. As at May 1, 2022, all other things being equal, a 10% increase in projected financial performance thresholds for acquired businesses would have had no impact on net earnings. A 10% decrease in projected financial performance thresholds would have increased net earnings by \$10.0 million.

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15 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

The Corporation recognizes a loss allowance for credit losses using a probability-weighted estimate of credit losses. The Corporation establishes the loss allowance for credit losses on a collective and individual assessment basis, by considering past events, current conditions and forecasts of future economic conditions. Collective assessment is carried out by grouping together trade accounts receivable with similar characteristics, mainly by geographic area, the industry in which they operate and the number of days past due. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected. In its assessment of the loss allowance for credit losses as at May 1, 2022, the Corporation considered the economic impact of the COVID-19 pandemic on its assessment, including the risk of default of its customers given the economic downturn caused by this pandemic.