COMMITTED TO

2019 ANNUAL REPORT

PROFITABLE GROWTH

COMMUNITIES

SUSTAINABLE DEVELOPMENT

DIVERSITY

CUSTOMERS

ENVIRONMENT

HEALTH & SAFETY

EFFICIENCY

TC • TRANSCONTINENTAL

TC • TRANSCONTINENTAL

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

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

Transcontinental Inc. (TSX: TCL.A TCL.B), known as TC Transcontinental, has over 9,000 employees, the majority of which are based in Canada, the United States and Latin America. TC Transcontinental had revenues of more than C$3.0 billion for the fiscal year ended October 27, 2019. For more information, visit TC Transcontinental's website at **www.tc.tc**

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FINANCIAL HIGHLIGHTS

FINANCIAL DATA

Revenues
(in millions of dollars)

	IFRS	Ajusted[1]
2019	3,038.8	3,027.1
2018	2,623.5	2,521.4

Operating earnings before depreciation and amortization
(in millions of dollars)

	IFRS	Adjusted[1]
2019	511.5	475.8
2018	536.8	459.4

Operating earnings
(in millions of dollars)

	IFRS	Adjusted[1]
2019	309.5	348.0
2018	367.7	356.9

Net earnings per share
(in dollars)

	IFRS	Adjusted[1]
2019	1.90	2.52
2018	2.59	2.91

Cash flows from operating activities
(in millions of dollars)

2019	431.6
2018	312.5

Net indebtedness ratio[1]

2019	2.5x
2018	3.1x

TCL.A and TCL.B Symbols

On the Toronto Stock Exchange

$1,333M

Market capitalization
As at October 27, 2019

5.8%

Annual dividend yield
As at October 27, 2019 (TCL.A)

DBRS: BBB (low), stable
S&P: BBB-, negative

Corporate credit ratings
As at October 27, 2019

[1] Non-IFRS financial measure. A complete definition of the non-IFRS financial measures and reconciliation to IFRS financial measures are presented in the Management's Discussion and Analysis of this annual report on page 14.

AT A GLANCE

OUR MISSION

For over 40 years, our mission has been to create quality products and services that allow businesses to attract, reach and retain their target customers.

OUR VISION

To become a top leader in flexible packaging in North America while maintaining our position as Canada's largest printer and as the leading Canadian French-language educational publishing group.

OUR VALUES

Respect, teamwork, performance and innovation are strong values held by our company and our employees.

OUR COMMITMENT

Our commitment to our stakeholders is to pursue our business activities in a responsible manner.

Revenues:

$3.0B

Net earnings:

$166.1M

Over

9,000

EMPLOYEES, the majority of which are based in Canada, the United States and Latin America

29

packaging **PLANTS**

17

printing **PLANTS**

12,600

BOOK titles published

FISCAL 2019 HIGHLIGHTS

January

- Launched one of the first fully recyclable multilayer barrier stand-up pouches in North America

March

- Signed the Ellen MacArthur Foundation's New Plastics Economy Global Commitment
- Announced the appointment of Magali Depras to the position of Chief Strategy Officer of the Corporation and Alex Hayden to the position of Senior Vice President, R&D, Innovation and Sustainability of the Packaging Sector

May

- Announced the gradual reduction of the Transcontinental Brampton printing activities in anticipation of its complete closure at the end of 2019
- Proposed the creation of a circular economy for plastic in Québec in the context of the public consultations by the Montréal Metropolitan Community on its Draft Amendment to the Residual Materials Management Plan

June

- Ranked 8th in Corporate Knights' 2019 ranking of Canada's 50 best corporate citizens
- Announced the appointment of Thomas Morin to the position of President of the Packaging Sector

July

- Released new corporate social responsibility three-year plan, titled *Acting Together*

September

- Sold Fremont, California facility to Hearst
- Acquired a majority participation in Ecuador-based company Trilex
- Publisac: launched new bag made from 100% recycled plastic on the island of Montréal

September (cont'd)

- Sold the majority of TC Media's specialty media assets and event planning activities to Contex Group and Newcom Media
- Launched vieVERTe, the sustainable product portfolio of TC Transcontinental Packaging

October

- Acquired Holland & Crosby, a company specialized in in-store marketing product printing
- Publisac: participated in the public consultation of the City of Montréal

tc • TRANSCONTINENTAL PACKAGING

- A leader in flexible packaging in North America
- About **4,300 employees**
- Network of **29 packaging plants**
- Integrated service offering: variety of flexible plastic and paper products, including rollstock, bags and pouches, shrink films and bags, and advanced coatings
- Markets served: dairy, coffee, meat and poultry, pet food, agriculture, beverage, confectionery, industrial, consumer products, supermarkets and more
- The Packaging Sector represents **53.1%** of our consolidated[1] revenues in 2019

tc • TRANSCONTINENTAL PRINTING

- Largest printer in Canada and one of the largest in North America
- About **4,300 employees**
- Network of **17 printing plants**
- Integrated service offering for retailers:
  - Premedia services
  - Flyer and in-store marketing product printing
  - Door-to-door distribution through Publisac in Québec and Targeo, a pan-Canadian distribution brokerage service: **13 million Canadian homes** reached
- Complete offering for publishers and advertisers: array of innovative print solutions for newspapers, magazines, 4-colour books and personalized and mass marketing products
- The Printing Sector represents **43.9%** of our consolidated[1] revenues in 2019

tc • MEDIA

- TC Media Books: the leading Canadian French-language educational publishing group
  - **12,600 book titles published** covering all educational levels
  - Book distribution activities
- Groupe Constructo: the leader in strategic information for the different players in Québec's construction sector
- About **200 employees**
- The Media Sector represents **3.0%** of our consolidated[1] revenues in 2019

[1] Excluding inter-segment eliminations.

As at December 12, 2019

CHAIR OF THE BOARD LETTER

AS THE CURTAIN FALLS ON 2019, I AM ENTHUSIASTIC ABOUT EMBARKING INTO TC TRANSCONTINENTAL'S 45TH YEAR OF EXISTENCE. OVER THE LAST DECADE, WE HAVE MADE A MAJOR STRATEGIC SHIFT AND DEVELOPED A NEW GROWTH VECTOR FOR OUR ORGANIZATION. **WE CAN BE PROUD OF HOW FAR WE HAVE COME.**

Of course, executing such a transformation is no simple feat. Moreover, 2019 turned out to be a demanding year in the context of more challenging market conditions in printing. Nevertheless, thanks to our flexible packaging growth strategy and the successful integration of Coveris Americas, TC Transcontinental's revenues exceeded $3 billion for the first time in its history.

I am filled with gratitude thinking of all those who bring our quest for long-term profitable growth to life. Of our 9,000 employees who honour our fundamental values of respect, teamwork, innovation and performance every day. Of our leaders and Executive Management Committee members who enable us to reach new heights by crossing valleys with energy and determination. Of François Olivier, President and Chief Executive Officer, who drives our transformation with vision. Of the seasoned members of our Board of Directors who consider the interests of our stakeholders by carrying out their role with diligence to the benefit of the Corporation. I am infinitely grateful to all of you.

We can be proud of who we are at TC Transcontinental... and we should also be proud of what we do every day.

We contribute to societal debates by printing dailies and weeklies, and by distributing local newspapers from door to door in Québec through the Publisac. Thanks to the flyers that we print and distribute, we help households save money and local merchants better compete against web giants.

We produce packaging that protects and facilitates transport of the products it holds. For food applications, our multilayer barrier packaging products ensure food safety and extend shelf life: we help reduce food waste.

We publish French-language educational resources that play an essential role at every level of our school system. In doing so, we contribute to spreading knowledge.

Let's not forget that we fulfill our mission while demonstrating our leadership in corporate social responsibility (CSR) on a daily basis. Let's be proud of that!

In 2019, we were the first Canadian-based manufacturer to join the Ellen MacArthur Foundation's New Plastics Economy Global Commitment. We committed to achieving ambitious objectives by 2025. We have already put on the market award-winning recyclable and compostable packaging. We also developed and produced a new Publisac bag made entirely from plastic waste, and still 100% recyclable.

For us, doing business responsibly also means building diversity into our teams by ensuring the advancement of women into leadership roles. At TC Transcontinental, 38% of Board members and 33% of Executive Management Committee members are women. We intend to pursue our efforts to reach our objectives in this sense.

Finally, we never lose sight of our commitment to the communities where we are present. This year, we donated over $2.1 million to 200 organizations that are close to our heart. We can be proud of contributing to our collective well-being.

Dear shareholders, dear customers, I thank you for sharing in this great pride with us. For sharing this pride of being part of TC Transcontinental. Your unwavering trust is invaluable to us.

Chair of the Board,

(s) Isabelle Marcoux

Isabelle Marcoux
December 12, 2019

PRESIDENT AND CHIEF EXECUTIVE OFFICER LETTER

ACKNOWLEDGMENTS

I would like to recognize the remarkable work of our employees, our leaders and our Executive Management Committee members. Always results-oriented and endlessly dedicated, they enabled TC Transcontinental to work towards realizing its vision. I thank them for their commitment.

It is also important for me to thank the members of our Board of Directors who support our executives by furthering our strategic thinking throughout our transformation. Their support is invaluable to us.

Finally, I wish to express my profound gratitude to our customers for their trust. We are proud to be part of your success.

For the first time since its founding in 1976, TC Transcontinental generated revenues in excess of $3 billion in fiscal 2019. This record result demonstrates that we continued to diligently execute our flexible packaging growth strategy, namely with the successful integration of Coveris Americas. It is an achievement worth recognizing and celebrating. A proud moment in our history.

In many respects, the past year was bolstered by notable achievements. At the same time, it was also disrupted by more difficult market realities that tested us. Guided as always by our long-term vision, we stepped up to the plate and took action, by making the decisions needed to keep creating value for our stakeholders.

Fiscal 2019 as seen through our sectors

I am pleased with our results in the Packaging Sector which ended the year strong. By exceeding anticipated synergies, we grew the sector's operating earnings margin before depreciation and amortization from quarter to quarter. We remain firmly focused on continuously improving our profitability, true to the plan we had put forward in this sense.

In 2019, flexible packaging generated 53.1% of our consolidated[1] revenues, reflecting the success of our transformation. We are building solid foundations that will enable us to pursue organic revenue growth in the long term. Finally, over the past year, we proactively managed our portfolio of businesses so as to concentrate on promising verticals where we have a lasting competitive advantage.

In printing, the reality is that 2019 was a difficult year overall. Faced with a decline in volumes from our retailer-related service offering that was more pronounced than anticipated, our teams demonstrated great resilience. We took action, as we always have, in order to manage our costs and adjust our platform capacity. Despite everything, it is worth noting that the sector delivered a solid operating earnings margin before depreciation and amortization while generating significant cash flows.

Recall that the printing industry still holds attractive growth potential in certain verticals. As we begin 2020, we intend to seize these opportunities to increase market share, as we have just done with the acquisition of Holland & Crosby for in-store marketing products.

Finally, we reached a new milestone in the Media Sector by selling the majority of our specialty media and event planning activities to seasoned acquirers who will be fully dedicated to them. Going forward, we will consolidate our efforts towards growing TC Media Books and Groupe Constructo, business units that do not rely on advertising and produced good results in 2019.

Focused on the future

We are heading into 2020 with confidence, equipped with a solid three-year strategic plan. We know where we came from, where we want to go, and how we will get there. Our ambitions are clear. Our strategy is linked to our 11 corporate social responsibility (CSR) objectives published in our new 2019-2021 CSR Plan. These key objectives will guide our business decisions.

To conclude, at the dawn of this new decade, we remain firmly committed to our long-term profitable growth.

President and Chief Executive Officer,

(s) François Olivier

François Olivier
December 12, 2019

[1] Excluding inter-segment eliminations.

REVIEW OF OPERATIONS

We are satisfied with the actions taken during fiscal 2019 in order to better position ourselves in promising verticals. Despite the important challenges we faced in the Printing Sector, we remained focused on our long-term growth strategy in flexible packaging. The successful integration of Coveris Americas enabled us to generate record revenues.

Our consolidated revenues went from $2,623.5 million in fiscal 2018 to $3,038.8 million in 2019, up 15.8%. Excluding the favourable effect of the accelerated recognition of deferred revenues related to the agreements signed with The Hearst Corporation, adjusted revenues[1] went from $2,521.4 million in 2018 to $3,027.1 million in 2019, an increase of 20.1%.

Operating earnings were $309.5 million in 2019 compared to $367.7 million in 2018. Adjusted operating earnings[1] experienced a slight decrease of 2.5%, from $356.9 million in fiscal 2018 to $348.0 million in 2019. This result is mostly attributable to the organic decline in the Printing Sector which was offset by the contribution from the Coveris Americas acquisition. Adjusted operating earnings before depreciation and amortization[1] reached $475.8 million, another record for the Corporation.

We also generated significant cash flows during fiscal 2019. Cash flows generated by operating activities were $431.6 million. In addition to this amount, we received US$75 million (approximately C$100 million) for the sale of the Fremont, California building to Hearst. Moreover, our ability to generate cash flows enabled us to reduce our net indebtedness[1] by $251.1 million and to distribute $76 million in dividends. Our net indebtedness ratio[1] stands at 2.5x as at October 27, 2019. We expect it to reach about 2.0x in the first quarter of 2020, that is, nine months ahead of the initial target.

We remain committed to pursuing our transformation and creating value for all our stakeholders.

PACKAGING

VISION

To become a top leader in flexible packaging in North America

STRATEGY

Grow our Packaging Sector through organic sales growth and acquisitions

NETWORK

29 packaging plants worldwide, mainly in the United States, Canada and Latin America, as well as one premedia studio

IN 2019, WE EXCEEDED ANTICIPATED SYNERGIES AND SIGNIFICANTLY GREW THE ADJUSTED OPERATING EARNINGS MARGIN BEFORE DEPRECIATION AND AMORTIZATION[1] OF THE PACKAGING SECTOR.

Fiscal 2019 was a pivotal year for the integration of Coveris Americas and for the Corporation's positioning as a leader in flexible packaging in North America. With revenues of $1,618.3 million in 2019, an increase of $641.7 million versus 2018, TC Transcontinental Packaging generated 53.1% of our consolidated[2] revenues, compared to 38.5%[3] in 2018 and 15.1% in 2017. This clearly demonstrates our strategic shift into flexible packaging. In June 2019, the Corporation announced the appointment of Thomas Morin as President of the Packaging Sector. He brings close to 25 years of global packaging experience, including the past 13 years at the helm of major companies.

Growing the adjusted operating earnings margin before depreciation and amortization[1]

During the fiscal year, exceeding our anticipated synergies enabled us to increase the Packaging Sector's profitability. Operating earnings more than tripled, from $21.9 million in fiscal 2018 to $66.6 million in 2019. As for the adjusted operating earnings before depreciation and amortization[1], they were $206.8 million, which represents a 12.8% margin in 2019, compared to $116.5 million in 2018, or a 11.9% margin. We are confident that we can continue to grow our margin for fiscal 2020 by insourcing plate-making and film manufacturing, and by improving our operational efficiency.

[1] Non-IFRS financial measure. A complete definition of the non-IFRS financial measures and reconciliation to IFRS financial measures are presented in the Management's Discussion and Analysis of this annual report on page 14.

[2] Excluding inter-segment eliminations.

[3] Calculation based on 2018 consolidated adjusted revenues[1].

Increasing sales

In 2019, we set the foundation on which we will build sales growth in the coming years. Thanks to our now much faster and more agile go-to-market approach, our customer-centric teams and our innovative spirit, we are already reaping the initial benefits. We expect modest organic revenue growth in fiscal 2020, followed by more significant growth as of 2021.

Strategically positioning ourselves

In 2019, we reviewed our portfolio of packaging activities. We decided to focus on promising markets, where the Corporation holds a competitive advantage, by investing in advanced equipment and making acquisitions that complement our offering. As an example, we acquired a majority stake in Trilex in order to expand our capabilities in the agricultural market. After our fiscal year ended, we also announced the sale of our paper and woven polypropylene packaging operations to Hood Packaging.

Developing sustainable solutions

To help our customers find innovative and sustainable solutions, we invest significant sums in research and development. We have also won awards on multiple occasions for our know-how and the excellence of the sustainable products of our vieVERTe portfolio. We are recognized as a leader in compostable products, not to mention that we were one of the first companies in North America to commercialize a 100% recyclable multilayer barrier pouch.

2020 OUTLOOK

- Increase operating margins by realizing acquisition synergies
- Generate organic sales growth
- Identify complementary acquisition opportunities
- Innovate in sustainable product development

PRINTING

VISION

Maintain our position as Canada's largest printer

STRATEGY

Optimize our printing platform and capture growth opportunities in promising verticals

NETWORK

17 state-of-the-art printing plants, from coast to coast

WE CONTINUE TO OPTIMIZE OUR PRINTING PLATFORM IN ORDER TO ADAPT TO EVOLVING DEMAND FROM OUR CUSTOMERS.

The Printing Sector revenues went from $1,545.2 million in 2018 to $1,336.7 million in 2019. Adjusted revenues[4] were $1,325.0 million in 2019, down 8.2% versus 2018. This decrease is mostly due to a greater than expected decline in revenues from our retailer-related service offering. We implemented cost management measures that helped mitigate the impacts of this decrease. They will also contribute over the coming quarters.

Despite these measures, a volume reduction and the sale to Hearst of our newspaper printing operations, including an unfavourable non-cash effect related to the end of the recognition of deferred revenues, resulted in a decrease in the sector's operating earnings, from $340.7 million in 2018 to $256.1 million in 2019. Adjusted operating earnings before depreciation and amortization[4] were $267.9 million compared to $332.4 million for the previous fiscal year. Thanks to its operational efficiency, the sector did however achieve an adjusted operating earnings margin before depreciation and amortization[4] of more than 20%.

Defending the interests of the Publisac

In 2019, our door-to-door distribution service in Québec, Publisac, was at the heart of the news and debates, particularly around a public consultation on flyer distribution control in the City of Montréal. We are committed to defending the interests of the Publisac and of all its stakeholders, namely the thousands of employees who are part of the production and distribution process everywhere across Québec, merchants, local newspaper publishers as well as the millions of citizens who benefit from it every week. We remain convinced that the situation will result in a positive outcome and that the Publisac will continue to play an important role in the coming years.

[4] Non-IFRS financial measure. A complete definition of the non-IFRS financial measures and reconciliation to IFRS financial measures are presented in the Management's Discussion and Analysis of this annual report on page 14.

Pursuing the optimization of our printing platform

To deal with lower demand, we took the difficult decision of closing the Brampton plant in Ontario at the end of December 2019, and the Prince Edward Island plant by the end of January 2020. We also invested in automation to increase our manufacturing efficiency, notably by transferring two state-of-the-art presses from our former plant in Fremont, California to our Canadian network. These actions will help to significantly reduce our costs in 2020 and to protect the sector's long-term financial health. As we have done in the past, we remain proactive in the optimization of our printing platform.

Managing our long-term contracts

During the fiscal year, we renewed or extended agreements with retail and publishing customers totalling more than $200 million. To deal with the more variable demand for retailer-related services and market trends, we will continue to rigorously manage our long-term contracts.

Growing our revenues in promising markets

Fiscal 2019 was marked by the acquisition of Holland & Crosby which enhances our offering in in-store marketing product printing. Revenues for this vertical increased significantly over the past years and we expect continued growth during fiscal 2020. Furthermore, we will continue to seize organic growth and acquisition opportunities to win market share in certain high-potential verticals. For example, we intend to invest in equipment to increase our book printing capacity.

2020 OUTLOOK

- Continue the optimization of our printing platform by aligning our capacity and costs to market demand
- Grow our market share in growing verticals such as in-store marketing products and book printing
- Ensure rigorous management of our long-term contracts

VISION

Maintain our position as the leading Canadian French-language educational publishing group

STRATEGY

Grow our book publishing and Groupe Constructo activities through organic growth and acquisitions

PORTFOLIO

12,600 book titles published and specialty content offering in construction

TC Media had a good year in 2019 from a financial perspective. The sector generated revenues of $92.7 million, with operating earnings of $16.4 million. These activities achieved a solid adjusted operating earnings margin before depreciation and amortization[5] of more than 20%.

Fiscal 2019 was marked by the sale of the majority of our specialty media assets and event planning activities to Contex Group and Newcom Media. We have thus turned a page in our history, representing the last milestone in our strategic process to dispose of assets that rely on advertising. Moreover, the acquirers have entrusted us with the printing of these publications through multi-year agreements. Going forward, TC Media consists of TC Media Books and Groupe Constructo and we are committed to growing these activities.

[5] Non-IFRS financial measure. A complete definition of the non-IFRS financial measures and reconciliation to IFRS financial measures are presented in the Management's Discussion and Analysis of this annual report on page 14.

2020 OUTLOOK

- Evaluate targeted acquisition opportunities
- Develop educational material publishing and distribution activities
- Develop Groupe Constructo's activities

IN 2019, WE RELEASED *ACTING TOGETHER*, OUR NEW CORPORATE SOCIAL RESPONSIBILITY (CSR) THREE-YEAR PLAN BASED ON THE INSIGHT RECEIVED THROUGH A LARGE-SCALE CONSULTATION THAT WE CONDUCTED WITH OUR STAKEHOLDERS. THIS PLAN PRESENTS 11 QUANTIFIABLE OBJECTIVES THAT REFLECT GROWING ENVIRONMENTAL AND SOCIAL CONCERNS:

OUR PEOPLE

Target 1: Maintain a safe and healthy work environment

- Reduce the total incident rate (incidents per 200,000 worked hours) by 15% for our Printing and Packaging sectors

Target 2: Move towards a more balanced gender representation in leadership

- Ensure at least 30% of female representation on the Board of Directors
- Have at least 3 women on the Executive Management Committee
- Reach 30% of women in executive and management positions

Target 3: Develop our talent

- Annual performance reviews to be completed for 100% of salaried employees

OUR OPERATIONS

Target 4: Reduce our greenhouse gas emissions

- Reduce our greenhouse gas emissions by 5%[1]

Target 5: Optimize waste management

- Aim for zero non-hazardous waste to landfill in our operating business units

Target 6: Ensure food safety and quality

- Obtain a GFSI-recognized food safety certification for all our direct-food contact packaging facilities

OUR PRODUCTS

Target 7: Promote the use of sustainable materials

- 100% of our paper purchases to come from third-party certified or recycled sources
- By 2025, achieve a 10% use of post-consumer recycled content on average by weight across all plastic packaging in our product offering

Target 8: Design for end-of-life

- By 2025, 100% of our plastic packaging to be reusable, recyclable or compostable

Target 9: Focus on product R&D

- Invest at least 1% of our Packaging Sector's annual revenues in R&D

OUR COMMUNITIES

Target 10: Invest in our communities

- Over 3 years, donate $5M in financial contributions, goods and services to organizations, projects and programs that support the communities in which we operate

Target 11: Foster employee engagement

- All business units to participate annually in at least one initiative making a positive impact in their community

TC Transcontinental has always diligently integrated best practices in sustainable development as part of its activities and processes. We are committed to maintaining our leadership in CSR by working in a concerted manner with our stakeholders to find solutions to sustainability challenges.

As a leader in flexible packaging in North America, we are determined to lead the way for a circular economy for plastics, so that plastic never becomes waste. In 2019, we became the first Canadian-based manufacturer to join the Ellen MacArthur Foundation's New Plastics Economy Global Commitment.

"Flexible packaging plays an essential role in protecting and preserving products, therefore contributing to reducing food waste. It offers many advantages from an environmental standpoint compared to other packaging formats, namely more efficient use of resources, increased transportation efficiency and reduced greenhouse gas emissions. However, in order to tackle the challenge of plastic end-of-life management, we aim to innovate in sustainable product development. We invest in R&D and promote the use of more post-consumer recycled content across our portfolio."

– **Magali Depras,** Chief Strategy Officer, TC Transcontinental

[1] Refers to absolute emissions from Scope 1 (direct emissions from owned or controlled sources) and Scope 2 (indirect emissions from the generation of purchased energy).

Committed to long-term value creation

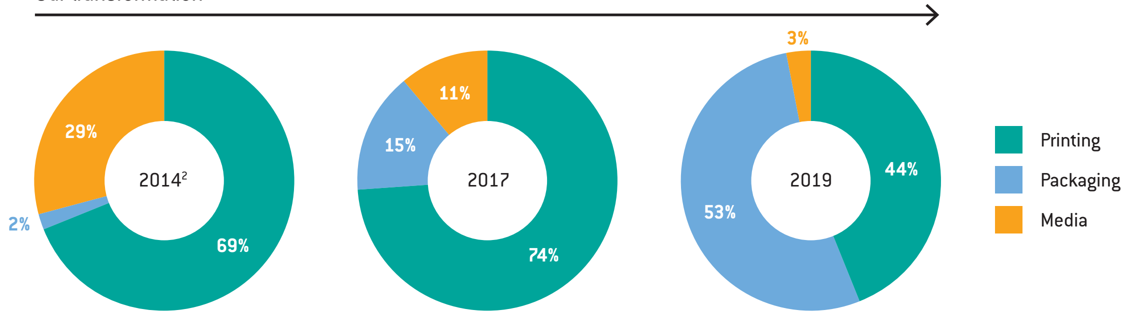
TC Transcontinental is driven by a long-term vision. Over the years, we have adapted to trends in the industries where we operate in order to reinvent ourselves and ensure our continuity. As a family-controlled corporation, our ambitions are clear: continue to build for profitable and lasting growth.

This is why we made a strategic shift into flexible packaging, a promising growth axis for the Corporation. Thanks to our solid financial performance and healthy balance sheet, we have built an extensive packaging platform through several strategic acquisitions. In 2019, we fully integrated the operations of Coveris Americas, thus positioning ourselves as a leader in flexible packaging in North America. In only five years, our revenues from this sector went from 2% to 53% of our consolidated[1] revenues.

We are all committed to pursuing our transformation in order to create long-term value for our stakeholders.

Evolution of our consolidated[1] revenue composition

Our transformation



[1] Excluding inter-segment eliminations.
[2] As reported. Distribution and Premedia revenues are included in the Media Sector.

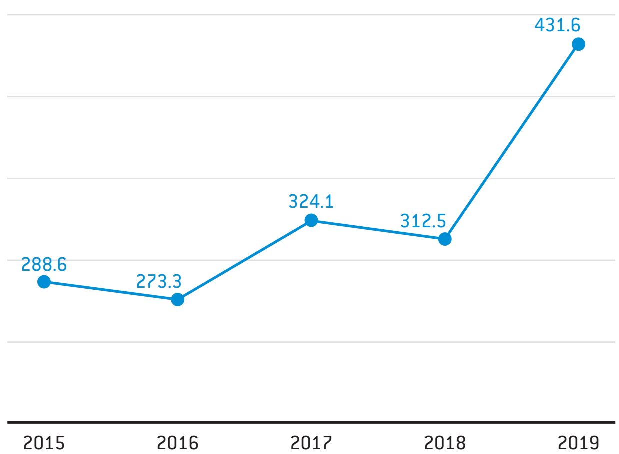
- Ability to generate significant cash flows
- Leader in most of our verticals
- Solid relationships with our customers
- History of dividend growth
- Family-controlled business with a long-term vision
- Investment grade credit rating
- Pursuing our business activities in a responsible manner

Committed to operational excellence

TC Transcontinental is recognized for its solid track record of continuous improvement and manufacturing excellence. Over the past few years, despite a decline in revenues in the Printing Sector, we have implemented operational efficiency measures to protect our profitability. In addition, in the Packaging Sector, we succeeded in increasing our operating earnings margin before depreciation and amortization since the acquisition of Coveris Americas in May 2018.

The Corporation also continuously generates significant cash flows from its operating activities. For the last fiscal year, they totalled $431.6 million.

Cash flows from continuing operating activities



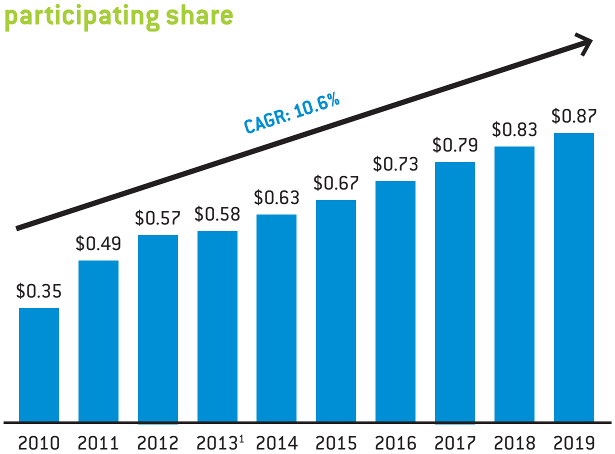
5.8%

Dividend yield as at October 27, 2019 (TCL.A)

Committed to the dividend

The Corporation has always focused on the dividend paid to shareholders: since 2010, the dividend has increased at a compound annual growth rate (CAGR) of 10.6%. We strive to achieve a fair balance in our capital allocation between dividend payments, share buybacks, debt repayment and reinvesting in growth, namely for opportunistic acquisitions. In 2019, dividends paid of $76.0 million represent only 17.6% of cash flows from operating activities.

Dividends paid per participating share



[1] Payment of a special dividend of $1.00, in addition to a regular dividend of $0.58.

2.5x

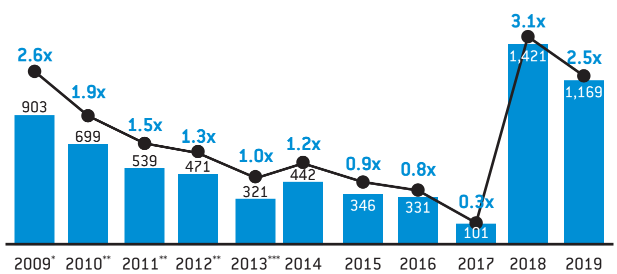
Net indebtedness ratio[1] as at October 27, 2019

Committed to maintaining a solid financial position and an investment grade credit rating

Maintaining a healthy financial position and an investment grade credit rating has always been among the Corporation's primary objectives. We manage our capital prudently and effectively, while allowing a temporary increase in our indebtedness level in order to implement our strategic plans. During 2018, our net indebtedness[1] increased significantly when we acquired Coveris Americas to crystallize our shift into flexible packaging. As we have done in the past, we will now concentrate on reducing our net indebtedness[1] level over the coming quarters to increase our financial flexibility. In fiscal 2019, we reduced our net indebtedness[1] by over $250 million.

Net indebtedness[1] and net indebtedness ratio[1]

(in millions of dollars for net indebtedness[1])



[1] Non-IFRS financial measure. A complete definition of the non-IFRS financial mesures and reconciliation to IFRS financial measures are presented in the Management's Discussion and Analysis of this annual report on page 14.

* As originaly published and including securitization.

** As originaly published.

*** 2013 figures have been restated to reflect the impact of amended IAS 19 – Employee Benefits, IFRS 11 – Joint Arrangements and other items.

Committed to pursuing our business activities responsibly

BEST 50 CORPORATE CITIZENS

Among the Best 50 Corporate Citizens in Canada (8th place in 2019)

CDP DRIVING SUSTAINABLE ECONOMIES

Participates in the Carbon Disclosure Project (CDP) since 2012

JSI JANTZI SOCIAL INDEX

Included in the Jantzi Social Index® since 2004

NEW PLASTICS ECONOMY Global Commitment

Signatory of the Ellen MacArthur Foundation's New Plastics Economy Global Commitment

To learn more about our corporate social responsibility commitment, please refer to page 9 of this annual report.

Forward-looking Statements

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

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of non-recurring or other unusual items, nor of disposals, business combinations, mergers or acquisitions which may be announced or entered into after the date of December 12, 2019.

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

The forward-looking statements in this annual report are based on current expectations and information available as at December 12, 2019. Such forward-looking information may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended October 27, 2019

The purpose of this Management's Discussion and Analysis is to help the reader better understand the business, development strategy and future outlook of Transcontinental Inc., how we manage risk, as well as to analyze the Corporation's results and financial position for the year ended October 27, 2019. It should be read in conjunction with the information in the annual consolidated financial statements and the accompanying notes included in this report. Additional information relating to the Corporation, including its Annual Report and Annual Information Form, may also be obtained on SEDAR at www.sedar.com.

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

In addition, in this Management's Discussion and Analysis, we also use non-IFRS financial measures for which a complete definition is presented below and for which a reconciliation to financial information in accordance with IFRS is presented in Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" and in Note 3 "Segmented Information" to the annual consolidated financial statements for the year ended October 27, 2019. These measures should be considered as a complement to financial performance measures in accordance with IFRS. They do not substitute and are not superior to them.

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

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

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of non-recurring or other unusual items, nor of disposals, business combinations, mergers or acquisitions which may be announced or concluded after the date of December 12, 2019.

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

The forward-looking statements in this Management's Discussion and Analysis are based on current expectations and information available as at December 12, 2019. Such forward-looking statements may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's Management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

PROFILE OF TC TRANSCONTINENTAL

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

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

Transcontinental Inc. (TSX: TCL.A TCL.B), known as TC Transcontinental, has over 9,000 employees, the majority of which are based in Canada, the United States and Latin America. TC Transcontinental had revenues of more than C$3.0 billion for the fiscal year ended October 27, 2019. For more information, visit TC Transcontinental's website at www.tc.tc.

Packaging Sector

TC Transcontinental Packaging, the Packaging Sector of TC Transcontinental, positions itself as leader in flexible packaging in North America, and also has operations in Guatemala, Mexico, Ecuador, United Kingdom, New Zealand and China. This sector has approximately 4,300 employees, the majority of which are based in the United States. Its platform is comprised of one premedia studio and 29 production plants specializing in extrusion, lamination, printing and converting. TC Transcontinental Packaging offers a variety of flexible plastic and paper products, including rollstock, bags and pouches, shrink films and bags, and advanced coatings. This sector services a variety of markets, including dairy, coffee, meat and poultry, pet food, agriculture, beverage, confectionery, industrial, consumer products and supermarkets.

Printing Sector

TC Transcontinental Printing, the Printing Sector of TC Transcontinental, is the largest printer in Canada and one of the largest in North America. This sector has approximately 4,300 employees and possesses a network of 17 state-of-the-art plants. TC Transcontinental Printing provides an integrated service offering for retailers, including premedia services, flyer printing and in-store marketing products, and door-to-door distribution through Publisac in Québec and Targeo, a pan-Canadian distribution brokerage service. This sector also offers an array of innovative print solutions for newspapers, magazines, 4-colour books and personalized and mass marketing products.

Media Sector

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

HIGHLIGHTS FOR FISCAL 2019

Table #1:

(in millions of dollars, except per share amounts)	**2019**	2018	Variation in $	Variation in %
Revenues	**$3,038.8**	$2,623.5	$415.3	15.8 %
Adjusted revenues (1)	**3,027.1**	2,521.4	505.7	20.1
Operating earnings before depreciation and amortization	**511.5**	536.8	(25.3)	(4.7)
Adjusted operating earnings before depreciation and amortization (1)	**475.8**	459.4	16.4	3.6
Operating earnings	**309.5**	367.7	(58.2)	(15.8)
Adjusted operating earnings (1)	**348.0**	356.9	(8.9)	(2.5)
Net earnings	**166.1**	213.4	(47.3)	(22.2)
Net earnings per share	**1.90**	2.59	(0.69)	(26.6)
Adjusted net earnings (1)	**220.2**	239.4	(19.2)	(8.0)
Adjusted net earnings per share (1)	**2.52**	2.91	(0.39)	(13.4)

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

- Revenues of $3,038.8 million for fiscal 2019, the highest in the Corporation's history, up 15.8% compared to 2018.
- Adjusted revenues of $3,027.1 million for fiscal 2019, up 20.1% compared to 2018.
- Adjusted operating earnings before depreciation and amortization of $475.8 million, up 3.6%
- Operating earnings of $309.5 million, down 15.8%
- Adjusted operating earnings of $348.0 million, down 2.5%
- Net earnings of $166.1 million ($1.90 per share) for fiscal 2019 compared to $213.4 million ($2.59 per share) for 2018.
- Adjusted net earnings of $220.2 million ($2.52 per share) for fiscal 2019 compared to $239.4 million ($2.91 per share) for 2018.
- Cash flows from operating activities of $431.6 million, up 38.1%
- Sold the Fremont, California building to Hearst for US$75 million (approximately C$100 million).
- Sold specialty media assets and event planning activities to Contex Group Inc. and Newcom Media Inc.
- Acquired Holland & Crosby Limited, a manufacturing company specialized in in-store marketing product printing.
- On November 27, 2019, announced a definitive agreement to sell its paper and woven polypropylene packaging operations to Hood Packaging Corporation for a price of US$180 million (approximately C$239 million), subject to working capital adjustments and regulatory approvals.

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

(unaudited)

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

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

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

Table #2:

Reconciliation of revenues - Quarter and fiscal year

	Three months ended		Year ended	
(in millions of dollars)	**October 27, 2019**	October 28, 2018	**October 27, 2019**	October 28, 2018
Revenues	**$790.9**	$829.2	**$3,038.8**	$2,623.5
Accelerated recognition of deferred revenues (1)	**(11.7)**	—	**(11.7)**	(102.1)
Adjusted revenues	**$779.2**	$829.2	**$3,027.1**	$2,521.4

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

Reconciliation of operating earnings - Quarter and fiscal year

	Three months ended		Year ended	
(in millions of dollars)	**October 27, 2019**	October 28, 2018	**October 27, 2019**	October 28, 2018
Operating earnings	**$156.2**	$105.5	**$309.5**	$367.7
Restructuring and other costs (gains)	**(56.1)**	8.6	**(24.5)**	8.6
Impairment of assets	**—**	—	**0.5**	6.6
Amortization of intangible assets arising from business combinations (1)	**18.4**	17.5	**74.2**	44.6
Accelerated recognition of deferred revenues (2)	**(11.7)**	—	**(11.7)**	(102.1)
Accelerated depreciation (2)	**—**	—	**—**	22.0
Reversal of the fair value adjustment of inventory sold arising from business combinations	**—**	—	**—**	9.5
Adjusted operating earnings	**$106.8**	$131.6	**$348.0**	$356.9
Depreciation and amortization (3)	**32.3**	30.6	**127.8**	102.5
Adjusted operating earnings before depreciation and amortization	**$139.1**	$162.2	**$475.8**	$459.4

(1) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.
(2) Related to the agreements signed with The Hearst Corporation. Please refer to Note 31 to the annual consolidated financial statements for the year ended October 27, 2019.
(3) Depreciation and amortization exclude amortization of intangible assets arising from business combinations and accelerated depreciation presented above.

Reconciliation of net earnings - Fiscal year

	Year ended			
	October 27, 2019		October 28, 2018	
(in millions of dollars, except per share amounts)	**Total**	**Per share**	Total	Per share
Net earnings	**$166.1**	**$1.90**	$213.4	$2.59
Restructuring and other costs (gains), net of related income taxes	**(23.8)**	**(0.27)**	3.0	0.04
Impairment of assets, net of related income taxes	**0.4**	**—**	4.9	0.06
Amortization of intangible assets arising from business combinations, net of related income taxes (1)	**56.3**	**0.64**	33.4	0.40
Accelerated recognition of deferred revenues, net of related income taxes (2)	**(9.0)**	**(0.10)**	(75.4)	(0.91)
Accelerated depreciation, net of related income taxes (2)	**—**	**—**	16.3	0.20
Impact of the U.S. tax reform on deferred taxes	**—**	**—**	36.6	0.44
Reversal of the fair value adjustment of inventory sold arising from business combinations, net of related income taxes	**—**	**—**	7.2	0.09
Retroactive application of a new directive as part of the U.S. tax reform	**30.2**	**0.35**	—	—
Adjusted net earnings	**$220.2**	**$2.52**	$239.4	$2.91

(1) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.
(2) Related to the agreements signed with The Hearst Corporation. Please refer to Note 31 to the annual consolidated financial statements for the year ended October 27, 2019.

Reconciliation of net earnings - Quarter

	Three months ended			
	October 27, 2019		October 28, 2018	
(in millions of dollars, except per share amounts)	**Total**	**Per share**	Total	Per share
Net earnings	**$112.3**	**$1.28**	$67.0	$0.76
Restructuring and other costs (gains), net of related income taxes	**(47.6)**	**(0.54)**	6.6	0.08
Amortization of intangible assets arising from business combinations, net of related income taxes (1)	**14.2**	**0.16**	13.4	0.15
Accelerated recognition of deferred revenues, net of related income taxes (2)	**(9.0)**	**(0.10)**	—	—
Adjusted net earnings	**$69.9**	**$0.80**	$87.0	$0.99

(1) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.
(2) Related to the agreements signed with The Hearst Corporation. Please refer to Note 31 to the annual consolidated financial statements for the year ended October 27, 2019.

Reconciliation of net indebtedness

(in millions of dollars, except ratios)	**As at October 27, 2019**	As at October 28, 2018
Long-term debt	**$1,381.9**	$1,209.8
Current portion of long-term debt	**1.2**	251.2
Cash	**(213.7)**	(40.5)
Net indebtedness	**$1,169.4**	$1,420.5
Adjusted operating earnings before depreciation and amortization (last 12 months)	**$475.8**	$459.4
Net indebtedness ratio	**2.5 x**	3.1 x

ANALYSIS OF CONSOLIDATED RESULTS - CUMULATIVE

Revenues

Revenues increased by $415.3 million, or 15.8% from $2,623.5 million in fiscal 2018 to $3,038.8 million in fiscal 2019. This increase is essentially attributable to acquisitions, in particular that of Coveris Americas, which contributed $643.4 million to revenues. It was mitigated by the impact of the accelerated recognition of deferred revenues recorded in 2018 in the Printing Sector, the decrease in volume in the Printing Sector as well as the effect of the sale of the California newspaper printing operations. A more detailed analysis of adjusted revenues is presented in the "Analysis of Sector Results - Cumulative" section.

Operating and Other Expenses

Operating expenses increased by $479.8 million, or 23.2% compared to fiscal 2018. This increase is mostly due to the effect of acquisitions, particularly that of Coveris Americas, offset by the decrease in costs in the Printing Sector due to lower volume and the synergies achieved in the Packaging Sector.

Restructuring and other costs (gains) decreased by $33.1 million, from an expense of $8.6 million in fiscal 2018 to a gain of $24.5 million in fiscal 2019. The amount for fiscal 2019 is mainly explained by the gain on sale of assets resulting from the sale of the Fremont, California building, partially offset by workforce reduction costs in the Printing Sector. The amount for fiscal 2018 is mainly comprised of workforce reduction costs as well as acquisition and integration costs related to the Coveris Americas transaction. These amounts were partially mitigated by gains on the sale of certain media activities in 2018.

The asset impairment charge decreased by $6.1 million, from $6.6 million in fiscal 2018 to $0.5 million in fiscal 2019. This change is explained by the sale, in 2018, of certain local and regional newspaper publishing activities in the Media Sector that led to a decrease in intangible assets.

Depreciation and amortization increased by $32.9 million, from $169.1 million in fiscal 2018 to $202.0 million in fiscal 2019, mainly as a result of the additional depreciation and amortization related to the acquisition of Coveris Americas, partially offset by an accelerated depreciation expense recorded in fiscal 2018 following the transaction with Hearst.

Operating Earnings

Operating earnings decreased by $58.2 million, or 15.8% from $367.7 million in fiscal 2018 to $309.5 million in the corresponding period in 2019. This decrease is mainly due to the accelerated recognition in 2018 of deferred revenues of $102.1 million, net of accelerated depreciation of $22.0 million. The decline in Printing Sector revenues and workforce reduction costs also contributed to the decrease in operating earnings. This change was partially offset by the impact of the acquisition of Coveris Americas and the gain on sale of assets resulting from the sale of the Fremont, California building to Hearst. Adjusted operating earnings decreased by $8.9 million, or 2.5% from $356.9 million to $348.0 million. A more detailed analysis of adjusted operating earnings is presented in the "Analysis of Sector Results - Cumulative" section.

Net Financial Expenses

Net financial expenses increased by $30.4 million, from $36.5 million in fiscal 2018 to $66.9 million in fiscal 2019, mainly due to the increase in long-term debt in order to finance the acquisition of Coveris Americas.

Income Taxes

Income taxes decreased by $41.3 million, from $117.8 million in fiscal 2018 to $76.5 million in fiscal 2019. This decrease is mainly attributable to an income tax expense of $36.6 million recorded in the first quarter of 2018 with respect to the U.S. tax reform (the *Tax Cuts and Jobs Act*), which lowered the U.S. corporate federal statutory tax rate from a progressive tax rate of up to 35% to a fixed rate of 21% In addition, the decrease in the income tax expense resulted from an income tax expense of $21.0 million recorded in 2018 with respect to the accelerated recognition of deferred revenues. These two elements were partially offset by an income tax expense of $30.2 million, recorded in 2019, resulting from the retroactive application of a new directive as part of the U.S. tax reform. Adjusted income taxes went from $81.0 million in fiscal 2018, for an effective tax rate of 25.4% to $60.9 million in fiscal 2019, for an effective tax rate of 21.7% This decrease in the effective tax rate is mostly attributable to the geographic distribution of earnings before taxes.

Net Earnings

Net earnings decreased by $47.3 million, or 22.2% from $213.4 million in fiscal 2018 to $166.1 million in fiscal 2019. This decrease is due to the previously explained decline in operating earnings as well as higher financial expenses, partially offset by a decrease in income tax expense. On a per share basis, net earnings went from $2.59 to $1.90 due to the above-mentioned items, but also to the effect of the issuance of 10.8 million Class A Subordinate Voting Shares of the Corporation in May 2018.

Adjusted net earnings decreased by $19.2 million, or 8.0% from $239.4 million in fiscal 2018 to $220.2 million in fiscal 2019, mostly as a result of higher financial expenses and lower adjusted operating earnings, partially offset by the decrease in adjusted income tax expense. On a per share basis, adjusted net earnings went from $2.91 to $2.52, mainly due to the decrease in adjusted net earnings and, to a lesser extent, to the effect of the issuance of 10.8 million Class A Subordinated Voting Shares of the Corporation in May 2018.

ANALYSIS OF CONSOLIDATED RESULTS - QUARTER

Revenues

Revenues decreased by $38.3 million, or 4.6% from $829.2 million in the fourth quarter of 2018 to $790.9 million in the corresponding period of 2019. This decrease is essentially related to a decline in revenues of the Printing Sector and, to a lesser extent, of the Packaging Sector, which was partially mitigated by the accelerated recognition of deferred revenues in relation to the sale of the Fremont, California building to Hearst. A more detailed analysis of adjusted revenues is presented in the "Analysis of Sector Results - Quarter" section.

Operating and Other Expenses

Operating expenses decreased by $26.9 million, or 4.0% in the fourth quarter of 2019 compared to the corresponding period in 2018. This decrease results from a decrease in revenues in the two main sectors combined with the favourable impact of the synergies achieved in the Packaging Sector and operational efficiency initiatives put in place in the Printing Sector. The stock-based compensation expense, which increased by $10.9 million as a result of the change in the share price, partially offset this decrease.

Restructuring and other costs (gains) decreased by $64.7 million, from an expense of $8.6 million in the fourth quarter of 2018 to a gain of $56.1 million in the fourth quarter of 2019. The amount for 2019 is mainly explained by the gain on sale of assets resulting from the sale of the Fremont, California building to Hearst. The expense for 2018 is mainly comprised of workforce reduction costs as well as acquisition and integration costs related to the Coveris Americas transaction.

Depreciation and amortization increased by $2.6 million, from $48.1 million in the fourth quarter of 2018 to $50.7 million in the fourth quarter of 2019. The increase in capital expenditures explains the majority of this increase.

Operating Earnings

Operating earnings increased by $50.7 million, or 48.1% from $105.5 million in the fourth quarter of 2018 to $156.2 million in the fourth quarter of 2019. This increase is mainly attributable to the previously explained change in restructuring and other costs (gains), combined with the effect of the accelerated recognition of deferred revenues of $11.7 million in relation with the sale of the Fremont, California building to Hearst and, to a lesser extent, the increase in the Packaging Sector's operating earnings. This increase was partially offset by the decline in the Printing Sector operating earnings as well as the $10.9 million unfavourable effect of the stock-based compensation expense as a result of the change in the share price in the fourth quarter of 2019 compared to the corresponding period in 2018. Adjusted operating earnings decreased by $24.8 million, or 18.8% from $131.6 million to $106.8 million. A more detailed analysis of adjusted operating earnings is presented in the "Analysis of Sector Results - Quarter" section.

Net Financial Expenses

Net financial expenses increased by $0.7 million, from $16.0 million in the fourth quarter of 2018 to $16.7 million in the fourth quarter of 2019, mainly due to the favourable reversal of financial expenses related to the revision of a notice of assessment in the fourth quarter of 2018, partially mitigated by a decrease in financial expenses in the fourth quarter of 2019 resulting from a debt repayment during the year and a lower weighted average interest rate.

Income Taxes

Income taxes increased by $4.7 million, from $22.5 million in the fourth quarter of 2018 to $27.2 million in the fourth quarter of 2019. This increase is mainly due to higher operating earnings, which is mostly attributable to the gain on the sale of the Fremont, California building to Hearst. Adjusted income taxes went from $28.6 million in the fourth quarter of 2018, for an effective tax rate of 24.9% to $20.2 million in the fourth quarter of 2019, for an effective tax rate of 22.4% This decrease in the effective tax rate is mainly attributable to favourable differences between the accounting treatment and the tax treatment of certain items in 2019.

Net Earnings

Net earnings increased by $45.3 million, or 67.6% from $67.0 million in the fourth quarter of 2018 to $112.3 million in the fourth quarter of 2019. This increase is mainly attributable to the previously explained increase in operating earnings. On a per share basis, net earnings went from $0.76 to $1.28.

Adjusted net earnings decreased by $17.1 million, or 19.7% from $87.0 million in the fourth quarter of 2018 to $69.9 million in the fourth quarter of 2019. This decrease is mainly due to lower adjusted operating earnings in 2019 compared to the corresponding period in 2018. On a per share basis, adjusted net earnings went from $0.99 to $0.80.

ANALYSIS OF SECTOR RESULTS - CUMULATIVE

(unaudited)

Table #3:

(in millions of dollars)	Packaging	Printing	Other	Consolidated results
Adjusted revenues [(1)] - Year ended October 28, 2018	**$976.6**	**$1,443.1**	**$101.7**	**$2,521.4**
Acquisitions/disposals and closures	643.4	(30.1)	(19.0)	594.3
Existing operations				
End of the recognition of deferred revenues related to the contracts to print *La Presse* and *The Globe and Mail* in the Maritimes	—	(2.1)	—	(2.1)
Exchange rate effect	21.8	2.6	—	24.4
Organic growth (decline)	(23.5)	(88.5)	1.1	(110.9)
Adjusted revenues [(1)] - Year ended October 27, 2019	**$1,618.3**	**$1,325.0**	**$83.8**	**$3,027.1**
Adjusted operating earnings [(1)] - Year ended October 28, 2018	**$79.6**	**$277.3**	**$—**	**$356.9**
Acquisitions/disposals and closures	51.3	(8.4)	(1.2)	41.7
Existing operations				
End of the recognition of deferred revenues related to the contracts to print *La Presse* and *The Globe and Mail* in the Maritimes	—	(2.1)	—	(2.1)
Exchange rate effect	2.1	0.6	—	2.7
Stock-based compensation	—	—	(0.5)	(0.5)
Organic growth (decline)	2.5	(47.3)	(5.9)	(50.7)
Adjusted operating earnings [(1)] - Year ended October 27, 2019	**$135.5**	**$220.1**	**($7.6)**	**$348.0**

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

Packaging Sector

Packaging Sector adjusted revenues increased by $641.7 million, from $976.6 million in fiscal 2018 to $1,618.3 million in fiscal 2019. This increase is mostly attributable to the contribution from the acquisition of Coveris Americas and, to a lesser extent, of Multifilm Packaging and Trilex, for a total amount of $643.4 million. The exchange rate effect also contributed $21.8 million to the increase in adjusted revenues. The organic decline amounted to $23.5 million, or 2.4% and is mainly due to lower volume in one of the segments and legislative changes having an unfavourable impact on the agricultural packaging product offering.

Adjusted operating earnings increased by $55.9 million, from $79.6 million in fiscal 2018 to $135.5 million in fiscal 2019. This increase is attributable to the contribution from acquisitions, in particular that of Coveris Americas, as well as Multifilm Packaging and Trilex. The organic growth of $2.5 million is mostly attributable to the synergies achieved, partially offset by the above-mentioned decrease in revenues. The Sector's adjusted operating earnings margin increased slightly from 8.2% to 8.4% in fiscal 2019.

Printing Sector

Printing Sector adjusted revenues decreased by $118.1 million, from $1,443.1 million in fiscal 2018 to $1,325.0 million in fiscal 2019. This decrease is explained by the $31.7 million unfavourable effect of the sale to Hearst of the newspaper printing operations, including the $12.3 million unfavourable non-cash effect related to the end of the recognition of deferred revenues (see Table #4). The organic decline amounted to $88.5 million, mainly due to a decrease in printed flyer volume, which is mostly related to two major customers, as well as a decline in activities in the newspaper and magazine printing verticals. In addition, the end of transition services related to the Hearst transaction had an unfavourable impact on revenues. This decrease was partially mitigated by an increase in revenues from the in-store marketing products and book printing offering as well as higher prices for certain types of paper having no impact on profitability.

Adjusted operating earnings decreased by $57.2 million, or 20.6% from $277.3 million in fiscal 2018 to $220.1 million in fiscal 2019. This decrease is explained by the $8.4 million unfavourable effect of the sale to Hearst of the newspaper printing operations, including the non-cash effect of $12.3 million related to the end of the recognition of deferred revenues (see Table #4). The organic decline of $47.3 million is mainly explained by lower revenues and the end of transition services related to the Hearst transaction. The Sector's adjusted operating earnings margin went from 19.2% in fiscal 2018 to 16.6% in fiscal 2019. This decrease is mainly due to the end of the recognition of deferred revenues related to certain printing contracts as well as the cost increase for certain types of paper having no impact on profitability.

Table #4:

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

	2018	2019		
(in millions of dollars)	Fiscal year	Q1	Q2	Cumul. Q2
Contract to print the *San Francisco Chronicle* (1)				
Prior year	$31.4	$7.9	$4.4	$12.3
Current year	12.3	—	—	—
Unfavourable net change	**$19.1**	**$7.9**	**$4.4**	**$12.3**
Contracts to print *La Presse* and *The Globe and Mail* in the Maritimes (2)				
Prior year	$16.1	$3.0	$1.1	$4.1
Current year	6.3	1.0	1.0	2.0
Unfavourable net change	**$9.8**	**$2.0**	**$0.1**	**$2.1**
Total unfavourable net change of these contracts on revenues and adjusted operating earnings	**$28.9**	**$9.9**	**$4.5**	**$14.4**

(1) The net change for the contract to print the *San Francisco Chronicle* is presented, as of April 2018, under "Acquisitions/disposals and closures" in Table #3, until March 2019.

(2) The net change for the contracts to print *La Presse* and *The Globe and Mail* in the Maritimes is presented under "End of the recognition of deferred revenues related to the contracts to print *La Presse* and *The Globe and Mail* in the Maritimes" in Table #3.

Other

Adjusted revenues decreased by $17.9 million, from $101.7 million in fiscal 2018 to $83.8 million in fiscal 2019. This decrease is mostly due to the impact of the sale of the local and regional newspapers in Quebec and the sale of the specialty media assets and event planning activities, partially mitigated by a decrease in inter-segment transactions between the Media Sector and the Printing Sector.

Adjusted operating earnings decreased by $7.6 million in fiscal 2019, mainly as a result of an increase in head office costs from recent acquisitions, partially mitigated by the increase in adjusted operating earnings in the Media Sector.

ANALYSIS OF SECTOR RESULTS - QUARTER

(unaudited)

Table #5:

(in millions of dollars)	Packaging	Printing	Other	Consolidated results
Adjusted revenues - Fourth quarter of 2018	**$417.6**	**$379.7**	**$31.9**	**$829.2**
Acquisitions/disposals and closures	3.0	1.6	(4.8)	(0.2)
Existing operations				
Exchange rate effect	6.8	0.8	—	7.6
Organic growth (decline)	(18.2)	(37.9)	(1.3)	(57.4)
Adjusted revenues - Fourth quarter of 2019	**$409.2**	**$344.2**	**$25.8**	**$779.2**
Adjusted operating earnings (1) - Fourth quarter of 2018	**$34.6**	**$80.0**	**$17.0**	**$131.6**
Acquisitions/disposals and closures	—	0.8	(1.9)	(1.1)
Existing operations				
Exchange rate effect	0.7	0.4	—	1.1
Stock-based compensation	—	—	(10.9)	(10.9)
Organic growth (decline)	2.8	(14.0)	(2.7)	(13.9)
Adjusted operating earnings (1) - Fourth quarter of 2019	**$38.1**	**$67.2**	**$1.5**	**$106.8**

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

Packaging Sector

Packaging Sector adjusted revenues decreased by $8.4 million, or 2.0%, from $417.6 million in the fourth quarter of 2018 to $409.2 million in the fourth quarter of 2019. The decrease in revenues is mainly due to lower volume in one of the segments and legislative changes having an unfavourable impact on the agricultural packaging product offering. To a lesser extent, the decrease is also due to lower resin prices. The exchange rate effect and the acquisition of Trilex partially mitigated the decrease in adjusted revenues.

Adjusted operating earnings increased by $3.5 million, from $34.6 million in the fourth quarter of 2018 to $38.1 million in the fourth quarter of 2019. The organic growth of $2.8 million is mostly explained by the synergies achieved in the Packaging Sector, which were partially offset by lower revenues. The Sector's adjusted operating earnings margin went from 8.3% in the fourth quarter of 2018 to 9.3% in the fourth quarter of 2019.

Printing Sector

Printing Sector adjusted revenues decreased by $35.5 million, or 9.3%, from $379.7 million in the fourth quarter of 2018 to $344.2 million in the fourth quarter of 2019. The organic decline of $37.9 million is mostly explained by lower volume in the retailer-related service offering and, to a lesser extent, the end of transition services related to the Hearst transaction. For the newspaper and magazine printing verticals, trends observed during recent quarters continued to negatively impact revenues. The acquisition of Holland & Crosby Limited, in early October 2019, contributed $1.6 million to revenues in the in-store marketing vertical.

Adjusted operating earnings decreased by $12.8 million, or 16.0%, from $80.0 million in the fourth quarter of 2018 to $67.2 million in the fourth quarter of 2019. The organic decline of $14.0 million is mainly related to the previously explained decline in revenues. This decrease was partially mitigated by the operational efficiency initiatives implemented in the fourth quarter of 2019. In addition, certain unfavourable adjustments in 2018 related to the sale of the newspaper printing operations to Hearst explain the majority of the impact of acquisitions/disposals and closures in the above table. The Sector's adjusted operating earnings margin went from 21.1% in the fourth quarter of 2018 to 19.5% in the fourth quarter of 2019.

Other

Adjusted revenues decreased by $6.1 million, from $31.9 million in the fourth quarter of 2018 to $25.8 million in the fourth quarter of 2019. This decrease is mostly due to the sale of the specialty media assets and event planning activities.

Adjusted operating earnings decreased by $15.5 million, from $17.0 million in the fourth quarter of 2018 to $1.5 million in the fourth quarter of 2019, mainly due to the $10.9 million unfavourable effect of the stock-based compensation expense as a result of the change in the share price in the fourth quarter of 2019 compared to the corresponding period in 2018. To a lesser extent, the increase in head office costs also contributed to the decrease in adjusted operating earnings. These items were partially mitigated by the increase in operating adjusted earnings within the book publishing segment of the Media Sector.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

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

Table #6:

			2019				2018	
(in millions of dollars, except per share amounts)	**Q4**	Q3	Q2	Q1	**Q4**	Q3	Q2	Q1
Revenues	**$790.9**	$728.9	$767.4	$751.6	**$829.2**	$757.9	$534.7	$501.7
Adjusted revenues (1)	**779.2**	728.9	767.4	751.6	**829.2**	757.9	472.4	461.9
Operating earnings before depreciation and amortization	**206.9**	107.2	93.7	103.7	**153.6**	89.7	138.7	154.8
Adjusted operating earnings before depreciation and amortization (1)	**139.1**	112.9	115.7	108.1	**162.2**	116.4	89.7	91.1
Adjusted operating earnings margin before depreciation and amortization (1)	**17.9 %**	15.5 %	15.1 %	14.4 %	**19.6 %**	15.4 %	19.0 %	19.7 %
Operating earnings	**$156.2**	$56.6	$43.1	$53.6	**$105.5**	$39.6	$99.0	$123.6
Adjusted operating earnings (1)	**106.8**	80.9	83.6	76.7	**131.6**	84.6	70.3	70.4
Adjusted operating earnings margin (1)	**13.7 %**	11.1 %	10.9 %	10.2 %	**15.9 %**	11.2 %	14.9 %	15.2 %
Net earnings	**$112.3**	$3.4	$22.3	$28.1	**$67.0**	$19.3	$68.9	$58.2
Net earnings per share	**1.28**	0.04	0.26	0.32	**0.76**	0.22	0.89	0.75
Adjusted net earnings (1)	**69.9**	52.2	52.6	45.5	**87.0**	52.1	48.5	51.8
Adjusted net earnings per share (1)	**0.80**	0.60	0.60	0.52	**0.99**	0.59	0.63	0.67
% of fiscal year	**31 %**	24 %	24 %	21 %	**35 %**	20 %	22 %	23 %

(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.

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

- The impact of acquisitions, disposals and closures completed in line with our transformation;
- The exchange rate effect;
- The interest rates;
- The impact of the change in the share price on the stock-based compensation expense;
- The impact of adjusting items presented in Table #2, "Reconciliation of Non-IFRS Financial Measures".

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

FINANCIAL POSITION, LIQUIDITY AND CAPITAL STRUCTURE

(unaudited)

Table #7:

	Three months ended		Year ended	
(in millions of dollars)	**October 27, 2019**	October 28, 2018	**October 27, 2019**	October 28, 2018
Operating activities				
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	**$152.5**	$163.6	**$470.6**	$539.2
Changes in non-cash operating items [(1)]	**10.5**	(68.4)	**20.5**	(184.8)
Income taxes paid	**(4.9)**	(5.9)	**(59.5)**	(41.9)
Cash flows from operating activities	**$158.1**	$89.3	**$431.6**	$312.5
Investing activities				
Business combinations, net of acquired cash	**($18.5)**	$43.0	**($18.5)**	($1,573.3)
Business disposals	**9.5**	—	**9.5**	35.0
Acquisitions of property, plant and equipment	**(30.7)**	(21.8)	**(104.1)**	(59.4)
Disposals of property, plant and equipment	**100.5**	(0.3)	**100.5**	24.7
Increase in intangible assets	**(4.3)**	(3.7)	**(21.5)**	(20.6)
Dividends received from joint ventures	**—**	—	**—**	3.4
Net cash outflow on acquisition of an associate	**—**	(2.5)	**—**	(2.5)
Cash flows from investing activities	**$56.5**	$14.7	**($34.1)**	($1,592.7)
Financing activities				
Increase (decrease) in long-term debt, net of issuance costs	**$2.9**	($0.1)	**$302.9**	$958.9
Reimbursement of long-term debt	**—**	(1.2)	**(250.0)**	(164.0)
Net increase (decrease) in credit facility	**(7.2)**	(47.4)	**(134.3)**	128.4
Financial expenses on long-term debt	**(14.9)**	(13.7)	**(64.0)**	(35.0)
Proceeds from issuance of shares in exchange for subscription receipts, net of issuance cost	**—**	—	**—**	274.9
Dividends	**(19.2)**	(18.5)	**(76.0)**	(68.6)
Share redemptions	**—**	(10.7)	**—**	(23.6)
Cash flows from financing activities	**($38.4)**	($91.6)	**($221.4)**	$1,071.0
Effect of exchange rate changes on cash denominated in foreign currencies	**($4.0)**	$0.4	**($2.9)**	$2.6
Net change in cash	**$172.2**	$12.8	**$173.2**	($206.6)

(1) Includes the accelerated recognition of the deferred revenues opening balance as at October 29, 2017 as part of the transaction with The Hearst Corporation for the year ended October 27, 2019 and year ended October 28, 2018. Please refer to Note 31 to the annual consolidated financial statements for the year ended October 27, 2019.

Financial position	As at October 27, 2019	As at October 28, 2018
Net indebtedness (1)	**$1,169.4**	$1,420.5
Net indebtedness ratio (1)	**2.5 x**	3.1 x
Credit rating		
DBRS	**BBB (low)**	BBB (low)
Outlook	**Stable**	Stable
Standard and Poor's	**BBB-**	BBB-
Outlook	**Negative**	Negative
Consolidated Statements of Financial Position	**As at October 27, 2019**	As at October 28, 2018
Current assets	**$1,068.8**	$943.1
Current liabilities	**472.1**	717.3
Total assets	**3,781.8**	3,782.2
Total liabilities	**2,090.6**	2,148.1

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

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

Cash Flows from Operating Activities

Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid went from $539.2 million in fiscal 2018 to $470.6 million in fiscal 2019, mainly due to the accelerated recognition of deferred revenues recorded in 2018 in relation with the transaction with Hearst. The changes in non-cash operating items went from $(184.8) million in fiscal 2018 to $20.5 million in fiscal 2019, mostly as a result of the unfavourable change in accounts payable and accrued liabilities in 2018. In addition, an unfavourable timing difference in 2018 in deferred revenues and deposits resulting from the end of certain newspaper printing contracts, in particular the contract with Hearst, also contributed to this change. Consequently, cash flows from operating activities increased from $312.5 million in fiscal 2018 to $431.6 million in fiscal 2019.

Cash Flows from Investing Activities

Cash flows from investing activities went from a cash outflow of $1,592.7 million in fiscal 2018 to a cash outflow of $34.1 million in fiscal 2019. The cash outflow for fiscal 2018 is mainly related to the acquisition of Coveris Americas. The amount for fiscal 2019 is mainly explained by acquisitions of property, plant and equipment in the Packaging Sector resulting from our recent acquisitions, mitigated by the receipt of US$75.0 million (C $99.6 million) from the disposal of the Fremont, California building to Hearst.

Cash Flows from Financing Activities

Cash flows from financing activities went from a cash inflow of $1,071.0 million in fiscal 2018 to a cash outflow of $221.4 million in fiscal 2019. The cash inflow for fiscal 2018 is mainly explained by the issuance of term loans and the issuance of shares through a public offering to partially finance the acquisition of Coveris Americas. The cash outflow for fiscal 2019 is explained by the repayment of debt instruments using excess cash flows.

Debt Instruments

Net indebtedness went from $1,420.5 million as at October 28, 2018 to $1,169.4 million as at October 27, 2019. This decrease is mostly explained by the contribution of cash flows from operating activities during fiscal 2019 and the sale of the Fremont, California building. These items were partially offset by acquisitions of property, plant and equipment, mainly in the Packaging Sector. Consequently, our net indebtedness ratio stood at 2.5x as at October 27, 2019 compared to 3.1x as at October 28, 2018.

During the first quarter of 2019, the Corporation extended the maturity of its credit facility, with an available amount of $400.0 million or the U.S. dollar equivalent, for one additional year, until February 2024, on the same terms. During fiscal 2019, the Corporation entered into an agreement for a new credit facility with a maximum amount of US$25.0 million maturing in March 2020. As at October 27, 2019, no amount had been drawn on the credit facilities, and the unused amount under the credit facilities was $432.7 million.

During fiscal 2019, the Corporation issued two new tranches of term loans (tranches G and H), each amounting to $150.0 million. These new tranches bear interest at the bankers' acceptance rate plus an applicable margin of 1.20% to 1.45% payable monthly or quarterly depending on the rate selected, are repayable at any time and have a maturity of 24 and 36 months, depending on the tranche. During fiscal 2019, the Corporation entered into interest rate swaps as a hedge against risks related to future fluctuations of interest rates for an amount of US$450.0 million of certain of its term loans until their respective maturities. On May 13, 2019, the Corporation repaid the senior unsecured notes amounting to $250.0 million that matured on that same date with a portion of the funds available under the tranches G and H of term loans. On October 17, 2019, for purposes of investing in one of its plants, the Corporation secured from Investissement Québec an interest-free loan with a maximum amount of $9.5 million maturing on October 16, 2029. As at October 27, 2019, an amount of $2.9 million had been granted based on the progress of the investments. In addition, in connection with the acquisition of Trilex, the Corporation assumed a long-term debt of US$1.2 million bearing interest at 6.25% and maturing on May 6, 2026.

Contractual Obligations and Business Commitments
Table #8:

Contract type (in millions of dollars)	2020	2021	2022	2023	2024 and thereafter	Total
Long-term debt	$1.2	$445.5	$543.1	$294.9	$104.2	$1,388.9
Leasing of premises and other commitments	25.7	22.7	15.8	9.9	23.5	97.6
Accounts payable and accrued liabilities	434.7	—	—	—	—	434.7
Total obligations	**$461.6**	**$468.2**	**$558.9**	**$304.8**	**$127.7**	**$1,921.2**

The Corporation expects to contribute $5.1 million to its defined benefit plans during the year ending October 25, 2020, considering that it plans to use letters of credit from its credit facilities to secure unpaid contributions for the solvency deficiency of the defined benefit plans. The actual amount paid may differ from the estimate based on the results of the actuarial valuations, investment returns, volatility in discount rates, regulatory requirements and other factors.

Share Capital
Table #9:

Shares Issued and Outstanding	As at October 27, 2019	As at December 1, 2019
Class A (Subordinate Voting Shares)	**73,360,754**	**73,360,954**
Class B (Multiple Voting Shares)	**13,979,626**	**13,979,426**
Total Class A and Class B	**87,340,380**	**87,340,380**

During fiscal 2019, the Corporation had been authorized to repurchase, for cancellation on the open market, between October 1, 2018 and September 30, 2019, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 189,344 of its Class B Shares. In September 2019, the Corporation has been authorized to repurchase, for cancellation on the open market, between October 1, 2019 and September 30, 2020, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 190,560 of its Class B Shares, representing approximately 1.4% of the 73,360,754 issued and outstanding Class A Subordinate Voting Shares and of the 13,979,626 issued and outstanding Class B Shares as at October 27, 2019. No shares have been repurchased during fiscal 2019.

ANALYSIS OF LIQUIDITY - QUARTER

Cash Flows from Operating Activities
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid went from $163.6 million in the fourth quarter of 2018 to $152.5 million in the fourth quarter of 2019, mainly due to the decrease in operating earnings in the Printing Sector. The change in non-cash operating items went from $(68.4) million in the fourth quarter of 2018 to $10.5 million in the fourth quarter of 2019, mostly as a result of favourable timing differences in accounts payable and accrued liabilities and accounts receivable, partially offset by unfavourable timing differences in deferred revenues and deposits related to the accelerated recognition of deferred revenues resulting from the sale of the Fremont, California building. On a net basis, cash flows from operating activities increased by $68.8 million, from $89.3 million in the fourth quarter of 2018 to $158.1 million in the fourth quarter of 2019.

Cash Flows from Investing Activities
Cash flows from investing activities went from $14.7 million in the fourth quarter of 2018 to $56.5 million in the fourth quarter of 2019. This variation is mostly explained by the receipt of US$75 million from the sale of the Fremont, California building to Hearst, partially offset by a favourable reclassification in 2018 of an amount of $34.8 million paid on the acquisition date of Coveris Americas on behalf of the seller.

Cash Flows from Financing Activities

Cash flows from financing activities went from an outflow of $91.6 million in the fourth quarter of 2018 to an outflow of $38.4 million in the fourth quarter of 2019. This change is mostly attributable to a greater debt repayment in the fourth quarter of 2018 compared to the fourth quarter of 2019 as well as the redemption of shares in the fourth quarter of 2018.

CHANGES IN ACCOUNTING STANDARDS

New accounting standards adopted during fiscal 2019

On October 29, 2018, the Corporation adopted IFRS 15 "Revenue from Contracts with Customers", IFRS 9 "Financial Instruments" and the amendments to IFRS 2 "Share-based Payment". The adoption of these standards and amendments did not have a significant impact on the Corporation's annual consolidated financial statements.

New or amended accounting standards not yet adopted

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

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

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

RISK AND UNCERTAINTIES

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

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

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

Strategic Risks

Long-term Organic Growth - Our ability to generate organic growth in our Packaging Sector

The long sales cycle characterizing certain verticals represents a significant challenge for our ability to generate organic growth in our Packaging Sector. This could have an adverse impact on our ability to expand this sector quickly. To mitigate this risk, the Corporation has invested in its sales force, which focuses on developing business with existing customers and increasing our sales funnel. We have also recruited various marketing and technical talents in the field of packaging to support innovation and research and development.

Acquisitions - Our ability to properly identify opportunities and complete acquisitions in packaging

Our growth strategy in packaging is mainly based on our ability to complete acquisitions. We must be able to target attractive opportunities, at a reasonable value, and compete with private equity companies and other companies operating in the packaging industry that are actively seeking acquisitions. The inability to properly identify opportunities and complete acquisitions could have an adverse impact on the development of our avenue of growth. To mitigate this risk, the company relies on an experienced team dedicated to the development of opportunities.

Competition in the Packaging Industry - Large companies with integrated operations have more expertise and resources for product development

The packaging industry is highly competitive. Some of our competitors have additional experience and technical know-how, state-of-the-art production facilities, a larger sales force and other resources dedicated to product development, especially in terms of formats and types of packaging. Our ability to evolve with technological changes and make appropriate research and development investments could result in significant costs for the Corporation and have an adverse impact on our growth rate in this industry. We are investing in new capacity, research and development, our sales force and talent acquisition. The Corporation relies on a combination of innovation and sustainable development as a differentiating factor in the packaging industry.

Competition in the Printing Industry - Increase in foreign competition in the Canadian market

Competition is based on price, quality of products and services, lead times and the range of services offered. Some of the printing niches in which the Corporation operates are highly competitive; in addition, the presence of US-based competitors could increase as a result, among other things, of their excess capacity. An increase in competition in the Canadian market could have an adverse impact on our market share and financial results. To reduce this risk and remain competitive, the Corporation continuously strives to improve operational efficiency, in particular by maximizing the utilization of its most productive equipment. Furthermore, the Corporation continuously works to secure its customer relationships through early renewal of long-term contracts, among other things, and to improve the quality of its products.

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

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

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

Digital platforms have become an essential means to reach consumers, and advertisers have a more diverse selection of media channels in which to spend their advertising dollars. A decline in the share of printed products in aggregate advertising spending and in the number of readers of printed products towards digital products could result in a decrease in the demand for printed products. This lower demand could have an adverse impact on the financial results of our newspaper, magazine and commercial product printing activities. To mitigate this risk, we continuously aim to optimize our platform based on the rate of decrease in printing volume.

Distribution of Printed Flyers - Impact of regulations or legislation on door-to-door distribution

The Corporation offers a full range of distribution services, from preparation to door-to-door distribution, optimal order management and distribution list creation. Recently, the City of Mirabel, Quebec, modified its regulation to prohibit the distribution of printed advertising materials unless the owner or occupant posts a sticker indicating that they accept to receive printed advertising materials (opt-in). In Quebec, local newspapers are generally distributed by the Corporation with printed advertising materials. In addition, the regulation establishes a different system to Canada Post. The Corporation is seeking to have the regulation declared null and void on the grounds that it infringes the right to freedom of expression guaranteed by the Canadian Charter of Rights and Freedoms and the Quebec Charter of Human Rights and Freedoms and the right to information protected by the Quebec Charter, and that it is discriminatory. The Corporation understands that other municipalities could potentially adopt similar regulations. The Corporation intends to challenge any regulations in that regard that would be adopted elsewhere. Should the Corporation fail to get such changes to regulations declared null and void, it could have an impact on our business model and, consequently, our net earnings. The Corporation also works together with government bodies to demonstrate the potential effect of such regulations on the value chain as a whole, jobs, citizens, local newspapers and the Corporation.

Major Customers - Change in consumption habits or loss of a major customer

Certain niches in which the Corporation operates have customers representing a significant portion of our revenues. It is the case for the flyer printing niche, where a few Canadian retailers may individually represent a significant portion of the Printing Sector’s revenues. In addition, in the Packaging Sector, a few customers may individually represent a substantial portion of the Sector's revenues. A change in consumption habits of a major customer or the loss of a major customer could have an adverse impact on net earnings. To mitigate this risk, the Corporation maintains solid, long-term relationships with its main customers and regularly attempts to renew its significant contracts preemptively.

Customer Base - Impact of customer consolidation

Our current or potential customers could be acquired. The acquirer may transfer production into its current supplier operations. Customer consolidation could have an impact on our net earnings. In addition, we may be temporarily protected by the length of the sales cycle in some packaging markets. In the Printing Sector, a potential business combination or banner consolidation could also have an impact on the number of printed and distributed flyers.

Control Held - Conflict of interest between the controlling shareholder and the shareholders

As at October 27, 2019, Capinabel inc., a company controlled by Rémi Marcoux, directly or indirectly held 14.50% of shares outstanding and 71.22% of voting rights attached to the participating shares outstanding of Transcontinental Inc. Given the controlling stake of this shareholder, it is possible that in some situations the interests of the controlling shareholder might not correspond to the interests of other holders of participating shares of Transcontinental Inc.

Operational Risks

Integration of Acquisitions - Integrating acquisitions could disrupt our operating activities

Acquisitions have been and continue to be a key element in the Corporation's growth strategy. However, integrating acquisitions generally involves risks, and these risks may increase with the size, sector and type of acquisition. Integrating businesses could cause temporary disruptions to production, make us lose major contracts and influence our personnel retention or our customer relationships. In addition, the identified synergies may not be fully realized or may take longer to realize. However, to limit the impact of the risks related to integrating acquisitions, the Corporation relies on strict acquisition criteria as well as experienced due diligence teams and rigorous integration methods.

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

In the normal course of its activities, the Corporation relies on the continuous and uninterrupted operation of its systems, data hosting centers, cloud computing systems and computer hardware. In addition, it receives, processes and transfers sensitive data, including confidential information about the Corporation, its customers and its suppliers, as well as personal information about its employees.

If the Corporation were to experience cyber threats, breaches, unauthorized accesses, viruses or other security breaches, human errors, sabotage or other similar events, it could have an adverse impact on its activities, including system disruptions or breakdowns. This could also negatively impact our results, cause considerable damage to the Corporation's reputation, and potentially result in legal actions.

Cyberattack attempts occur more and more frequently, and their nature continuously evolves and becomes more refined, which increases the risk that our operations could be disrupted and our data compromised. In addition, it is possible that such an event might not be detected quickly enough to limit the scope of the information that could be stolen or compromised. Furthermore, regulators' requirements with respect to protection against potential intrusions are becoming stricter. The obligation to comply with new requirements could also have a financial impact on the Corporation. Customers' confidence in the security of the information held by the Corporation and transactions is crucial to maintain our reputation and competitiveness on the market.

We mitigate these risks by ensuring that we maintain a quality and reliable technology environment for our internal and external customers. We do this by adjusting on an ongoing basis our technology architecture with respect to security, implementing processes and deploying tools to protect us against, detect and respond to cybersecurity threats. We also periodically run tests simulating an attack against our computer systems to verify the effectiveness of our various security controls. In addition, we periodically assess our computer controls to ensure they comply with standards. Finally, to better prevent and minimize the impact of this risk, the Corporation has taken various measures, including implementing a mandatory employee continuous training and awareness program as well as hiring a Chief Information Security Officer. The mandate of the Chief Information Security Officer is to determine the cybersecurity roadmap and implement and lead a complete cybersecurity program whose objective is to minimize risks and optimize the Corporation's capacity for resilience in the face of cybersecurity threats.

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

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

Recruiting and Retaining Talent - Difficulty to attract and retain key employees in our main operating sectors

Social and demographic trends are making it more challenging to hire and retain qualified personnel in certain geographic areas. There is a diminishing pool of talent, an increase in professional mobility, an increase in technology use and a high demand for emerging skillsets. Considering the transformation of the Corporation, this risk is all the more important as the Corporation needs specific skills, including technical skills for product development to grow the Packaging Sector. As a result, as part of an ongoing leadership review process, the Corporation established development plans for high-potential and promotable managers. Specific objectives are established, and managers are provided with growth opportunities and new challenges to further accelerate their development. Lastly, members of senior management are evaluated on their implementation of succession plans for key positions and the Corporation conducts a leadership review to face organizational challenges and ensure ongoing identification of successors.

Operational Efficiency - Inability to maintain or improve our operational efficiency

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

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

The Corporation is subject to many regulations that may be amended by governmental authorities. Complying with amendments to regulations or stricter new regulations could result in a material decrease, both permanent and temporary, in our revenues or a material cost increase for the Corporation. The Corporation operates facilities throughout the world and is exposed to risks associated with different legal, political, tax, social, cultural and regulatory frameworks. The Corporation also benefits from certain government subsidy programs. Any change in the rules for applying to these government programs could have a significant impact on the Corporation's net earnings.

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

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

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

To mitigate environmental risks, the Corporation strives to be at the forefront of its industry in terms of commitment to sustainable development and implements, in collaboration with its stakeholders, new initiatives to reduce its environmental footprint. The Corporation fosters an integrated Corporate Social Responsibility (CSR) approach. We are also a member of the Sustainable Packaging Coalition, an organization that brings together businesses, educational institutions and government agencies to expand our collective understanding of ecoresponsible packaging. Our participation in initiatives promoting transparency, such as the Carbon Disclosure Project (CDP), confirms our renewed commitment to disclose our plan for managing the risks and opportunities associated with climate change as well as our performance against our greenhouse gas effect reduction targets. Furthermore, we continuously invest in the development of recyclable and compostable products in the Packaging Sector. In that respect, we proudly joined the Ellen MacArthur Foundation's New Plastics Economy Global Commitment and have pledged, by 2025, for 100% of our plastic packaging to be reusable, recyclable or compostable and to achieve a 10% use of post-consumer recycled content on average with weight across all plastics in our product portfolio. We also continue to maintain our leadership position in responsible procurement through our paper purchasing policy.

Climate Change - Occurrence or frequency could adversely affect our operations

The Corporation operates plants in various regions of the world and ships products to customers that may be exposed to consequences potentially attributable to climate change, such as an increase in storm intensity or frequency or rising sea levels. The occurrence, frequency or intensity of climate change-related events could result in an increase in production costs or a decrease in sales, have an impact on procurement and the cost of raw materials, cause production downtime, temporary or not, or significantly damage our facilities. In addition, such events could have an impact on the insurance coverage cost for the Corporation.

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

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

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

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

The Corporation is a supplier of flexible packaging products that are mainly used in the food industry. It is therefore exposed to this industry's risks, such as labelling errors and presence of foreign bodies, as well as certain hygiene and cleanliness problems, including food contamination by organisms that cause illness, or pathogens, such as the E.coli bacteria, Salmonella and Listeria. The Corporation could thus be involved in a possible product recall. Such a situation could expose the Corporation to civil liability claims, negative publicity, investigations or governmental intervention, which would have a material adverse impact on the Corporation's financial position, net earnings and reputation.

The Corporation actively manages these risks by using appropriate materials, ensuring that controls and processes are in place in its manufacturing facilities and maintaining civil liability insurance coverage. We also ensure that our products comply with laws and regulations. Our finished products are subject to laws and regulations issued by certain government agencies, including Health Canada and the United States Food and Drug Administration (FDA), which are responsible for protecting public health in the food industry. In the United States, the Consumer Product Safety Commission (CPSC) also regulates certain packaging products through various laws including the *Consumer Product Safety Act* and the *Poison Prevention Packaging Act*. In Canada, the packaging and labelling of food products as well as the safety of materials used in food packaging are regulated by Health Canada through laws such as the *Consumer Packaging and Labelling Act* and the *Food and Drugs Act*. Also, as a part of the food supply chain, we recognize the need to support our food based customers with specific information and assurances. We are committed to working with our customers to provide all the information needed in order to understand and minimize risk in their processes. For this purpose, and to further mitigate these risks and ensure consumer confidence in our products, some of our plants obtained SQF (Safe Quality Food) certification, are certified AIB International or have the GMI (Graphic Measures International) certification.

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

Paper, resin, plastic film, ink and plates are the primary raw materials used by the Printing Sector and the Packaging Sector, and they represent a significant portion of our costs. In addition, these sectors consume energy, more specifically electricity, natural gas and oil. A significant increase in raw materials prices, energy prices or transportation costs has an adverse impact on operations. To mitigate this risk, certain agreements with our customers provide for sales price indexation based on fluctuations. However, the impact on our net earnings will be influenced by our ability to change prices and improve our operational efficiency to offset the increases in raw materials prices or in transportation costs. In addition, the increase in these prices could have an adverse impact if it changes the purchasing habits of customers. With respect to a significant increase in energy prices, the Corporation continuously seeks new ways to reduce energy costs.

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

Use of Subcontractor Services in Distribution Activities - An operational disruption could have an adverse impact on our operating results and our reputation

The success of the Corporation depends, in large part, upon the maintenance of a strong distribution network. It relies on independent transportation and warehousing companies to store and deliver its products to its customers. If any subcontractor fails to properly store our products or adequately and timely deliver them to customers, our results of operations could be adversely affected. Delays in distribution, strikes, transportation disruptions, such as severe weather, and slowdowns could disrupt our operations, which could have a material adverse effect on our business, results of operations, financial condition and cash flows and could have an adverse impact on our reputation.

Protection of Intellectual Property Rights - Failure of our patents, trademarks and confidentiality agreements to protect our intellectual property could adversely affect our business

Protection of our proprietary processes, equipment and other technology is important. If we are unable to enforce our intellectual property rights, our competitive position may suffer, as competitors imitating our products could compete aggressively against us in the pricing of certain products which could result in lost revenues.

The Corporation also relies upon unpatented proprietary know-how and continuing technological innovation as well as other trade secrets to develop and maintain its competitive position. There can be no assurance that our confidentiality agreements will not be breached or will provide meaningful protection for our trade secrets or proprietary know-how and adequate remedies in the event of an unauthorized use or disclosure of these trade secrets and know-how. In addition, there can be no assurance that others will not obtain knowledge of these trade secrets through independent research or other access by legal means.

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

Litigation, Respect of Privacy and Copyrights - The Corporation is subject to legal risks related to its activities

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

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

Financial Risks

Economic Cycles - Impact of economic cycles on the demand for our products

The Corporation's activities are exposed to economic cycles and difficult market conditions as a significant portion of its revenue depends, directly or indirectly, on spending by advertisers. Global economic conditions, changes in consumers' buying habits and significant structural changes, in particular the consolidation in some industries and the adoption of digital platforms, also affect the industries of our main customers, which could have an adverse impact on the products offered by the Corporation. The Corporation operates in many countries, and the economic risks specific to each country may also have an impact on our results of operations. However, the Corporation believes it mitigates this risk through the very composition of its operations, since a substantial segment of its customer base operates in less cyclical markets, such as food. In addition, as the Corporation is a leader in its markets, we believe we can limit our exposure to economic cycles without, however, eliminating their adverse impact or magnitude.

Credit - Bad debts from certain customers

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

Liquidity - Availability of capital at a reasonable cost

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

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

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

This risk is mitigated by the fact that the Corporation has a sound financial position, with a net indebtedness ratio of 2.5x as at October 27, 2019, and expects to continue generating significant cash flows from operations. In addition, as at October 27, 2019, the Corporation can access its $400.0 million revolving credit facility, which matures in February 2024, and its US$25.0 million revolving credit facility, which matures in March 2020. However, it should be noted that the Corporation's financing ability and cost of financing depend on the credit ratings assigned by the various credit agencies.

Interest Rate - Increase in market interest rates with respect to our financial instruments

The Corporation is exposed to market risks related to increases in interest rates. The floating rate portion of the debt bears interest at rates based on LIBOR or bankers' acceptance rates. At the end of fiscal 2019, the fixed rate portion of the Corporation's long-term debt represented 50.2% of total debt.

Exchange Rate - Exchange rate fluctuations

The Corporation is exposed to the fluctuations in the exchange rate of various foreign currencies, and these fluctuations could have a negative impact on earnings. The depreciation of the Canadian dollar against the US dollar in the last few years has increased the value of sales in the United States and created certain business opportunities. In addition, our recent acquisitions in the United Stated have increased the share of the Corporation's revenues and profits in US dollars. The appreciation of the US dollar provides the Corporation with some protection against foreign competition in the Printing Sector. However, a potential recovery in the value of the Canadian dollar would have an adverse impact on net earnings. To minimize the risk of short-term foreign currency fluctuations, the Corporation attempts to match cash inflows and outflows in the same currency and has in place a currency hedging program that uses derivatives.

Taxation - Changes in tax legislation could adversely affect our profitability

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

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

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

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

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

As at October 27, 2019, almost all of TC Transcontinental's active employees were participating in defined contribution pension plans. However, the risks related to the defined benefit pension plans are still assumed by the Corporation. Funding for defined benefit plans is based on actuarial estimates and is subject to limitations under applicable income tax and other regulations. Actuarial estimates prepared during the year were based on assumptions related to projected employee compensation levels to the time of retirement and the expected long-term rate of return on pension plan assets. The defined benefit obligation, fair value of plan assets and plan asset composition are measured at the date of the annual financial statements. The Corporation continues to apply its investment strategy to limit the exposure of our assets to major fluctuations that would affect pension plan solvency.

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

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

DISCLOSURE CONTROLS AND PROCEDURES

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

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

The effectiveness of the design and operation of the Corporation's disclosure controls and procedures was evaluated as defined by *Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings* ("Regulation 52-109") as at October 27, 2019. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer of the Corporation concluded that the design and operation of disclosure controls and procedures were effective as at October 27, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer and the Chief Financial Officer of the Corporation are responsible for establishing and maintaining adequate internal control. The purpose of internal control over financial reporting ("ICFR") is to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of consolidated financial statements in accordance with IFRS.

The effectiveness of the design and operation of the Corporation's ICFR was evaluated as at October 27, 2019, in accordance with the framework and criteria set out in the document entitled "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013, a recognized control model, and the requirement of Regulation 52-109. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer of the Corporation concluded that the design and operation of ICFR were effective as at October 27, 2019.

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

During the year ended October 27, 2019, no change that has materially affected or is reasonably likely to materially affect the ICFR was brought to the attention of Management, including the President and Chief Executive Officer, and the Chief Financial Officer of the Corporation.

SUBSEQUENT EVENT

Disposal of paper and woven polypropylene packaging operations

On November 27, 2019, the Corporation announced that it had entered into a definitive agreement to sell its paper and woven polypropylene packaging operations to Hood Packaging Corporation for a price of US$180 million (approximately C$239 million), subject to working capital adjustments.

The transaction, which is subject to regulatory approvals, is expected to close in the first quarter of fiscal 2020.

OUTLOOK

In the Packaging Sector, we expect a decrease in revenues in fiscal 2020 as a result of the definitive agreement to sell the paper and woven polypropylene packaging operations, which generated revenues of about US$215 million (approximately C$286 million) in fiscal 2019. With respect to organic growth, we expect a slight increase in the majority of our other verticals. We will continue to focus on profit margins and the achievement of synergies, which should have a positive impact on operating earnings. To support our customers and strengthen our position in the packaging industry, we will also continue to invest in the research and development of innovative and eco-responsible products. Lastly, by signing long-term contracts with major customers and developing business opportunities, we are building solid foundations for the company's growth.

In the Printing Sector, we expect that the organic decline will continue to affect the majority of our verticals, excluding book printing and in-store marketing products. The acquisition of Holland & Crosby Limited will help partially offset this organic decline. Lastly, our operational efficiency initiatives will have a positive impact in fiscal 2020, which should mitigate the effect of the decrease in volume on operating earnings.

We expect that the Media Sector will continue to record a good performance in the coming quarters in terms of profitability.

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

On behalf of Management,

(s) Donald LeCavalier
Chief Financial Officer

December 12, 2019

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

(s) François Olivier

President and Chief Executive Officer

(s) Donald LeCavalier

Chief Financial Officer

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Transcontinental Inc.

Opinion

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

- the consolidated statements of financial position as at October 27, 2019 and October 28, 2018
- the consolidated statements of earnings for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at October 27, 2019 and October 28, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2019 Annual Report".

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

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

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

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2019 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

KPMG LLP*

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

Montréal, Canada

December 12, 2019

*CPA auditor, CA, public accountancy permit No. A114306

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended October 27, 2019 and October 28, 2018
(in millions of Canadian dollars, except per share data)

	Notes	October 27, 2019	October 28, 2018
Revenues		**$ 3,038.8**	$ 2,623.5
Operating expenses	5	**2,551.3**	2,071.5
Restructuring and other costs (gains)	6	**(24.5)**	8.6
Impairment of assets	7	**0.5**	6.6
Operating earnings before depreciation and amortization		**511.5**	536.8
Depreciation and amortization	8	**202.0**	169.1
Operating earnings		**309.5**	367.7
Net financial expenses	9	**66.9**	36.5
Earnings before income taxes		**242.6**	331.2
Income taxes	10	**76.5**	117.8
Net earnings attributable to shareholders of the Corporation		**$ 166.1**	$ 213.4
Net earnings per share - basic		**$ 1.90**	$ 2.59
Net earnings per share - diluted		**$ 1.90**	$ 2.58
Weighted average number of shares outstanding - basic (in millions)	22	**87.3**	82.5
Weighted average number of shares - diluted (in millions)	22	**87.4**	82.6

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended October 27, 2019 and October 28, 2018
(in millions of Canadian dollars)

	Note	October 27, 2019	October 28, 2018
Net earnings		**$ 166.1**	$ 213.4
Other comprehensive income (loss)			
Items that will be reclassified to net earnings			
Net change related to cash flow hedges			
Net change in the fair value of derivatives designated as cash flow hedges - Foreign exchange risk		**1.2**	(0.6)
Net change in the fair value of derivatives designated as cash flow hedges - Interest rate risk		**(14.8)**	—
Reclassification of the net change in the fair value of derivatives designated as cash flow hedges in prior periods, recognized in net earnings during the period		**(0.1)**	(0.5)
Related income taxes		**(3.7)**	(0.3)
		(10.0)	(0.8)
Cumulative translation differences			
Net unrealized exchange gains (losses) on the translation of the financial statements of foreign operations		**(22.2)**	12.7
Net unrealized exchange gains on the translation of the financial statements of foreign operations reversed to net earnings		**8.7**	1.2
Net losses on hedge of the net investment in foreign operations		**(0.8)**	(0.7)
Related income taxes		**(0.8)**	(0.6)
		(13.5)	13.8
Items that will not be reclassified to net earnings			
Changes related to defined benefit plans			
Actuarial gains (losses) on defined benefit plans		**(17.9)**	5.1
Related income taxes		**(4.7)**	1.8
		(13.2)	3.3
Other comprehensive income (loss)	24	**(36.7)**	16.3
Comprehensive income attributable to shareholders of the Corporation		**$ 129.4**	$ 229.7

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended October 27, 2019 and October 28, 2018
(in millions of Canadian dollars)

	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total	Non-controlling interests (Note 4)	Total equity
Balance as at October 28, 2018		**$ 642.4**	**$ 1.1**	**$ 979.8**	**$ 10.8**	**$ 1,634.1**	**$ —**	**$ 1,634.1**
Net earnings		**—**	**—**	**166.1**	**—**	**166.1**	**—**	**166.1**
Other comprehensive loss	24	**—**	**—**	**—**	**(36.7)**	**(36.7)**	**—**	**(36.7)**
Shareholders' contributions and distributions to shareholders								
Dividends	21	**—**	**—**	**(76.0)**	**—**	**(76.0)**	**—**	**(76.0)**
Income taxes on share issuance costs	21	**(0.5)**	**—**	**—**	**—**	**(0.5)**	**—**	**(0.5)**
Business acquisition	4	**—**	**—**	**—**	**—**	**—**	**4.2**	**4.2**
Balance as at October 27, 2019		**$ 641.9**	**$ 1.1**	**$ 1,069.9**	**$ (25.9)**	**$ 1,687.0**	**$ 4.2**	**$ 1,691.2**
Balance as at October 29, 2017		$ 371.6	$ 1.1	$ 851.5	$ (5.5)	$ 1,218.7	$ —	$ 1,218.7
Net earnings		—	—	213.4	—	213.4	—	213.4
Other comprehensive income	24	—	—	—	16.3	16.3	—	16.3
Shareholders' contributions and distributions to shareholders								
Share redemptions	21	(7.1)	—	(16.5)	—	(23.6)	—	(23.6)
Dividends	21	—	—	(68.6)	—	(68.6)	—	(68.6)
Issuance of shares, net of issuance costs	21	277.9	—	—	—	277.9	—	277.9
Balance as at October 28, 2018		$ 642.4	$ 1.1	$ 979.8	$ 10.8	$ 1,634.1	$ —	$ 1,634.1

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Years ended October 27, 2019 and October 28, 2018
(in millions of Canadian dollars)

	Notes	As at October 27, 2019	As at October 28, 2018
Current assets			
Cash		**$ 213.7**	$ 40.5
Accounts receivable	11	**520.7**	565.4
Income taxes receivable		**10.2**	6.9
Inventories	12	**304.2**	305.6
Prepaid expenses and other current assets		**20.0**	24.7
		1,068.8	943.1
Property, plant and equipment and investment properties	13	**820.1**	888.6
Intangible assets	14	**686.2**	747.1
Goodwill	15	**1,145.3**	1,150.0
Deferred taxes	10	**27.2**	18.4
Other assets	16	**34.2**	35.0
		$ 3,781.8	$ 3,782.2
Current liabilities			
Accounts payable and accrued liabilities	17	**$ 434.7**	$ 431.6
Provisions	19	**14.1**	3.7
Income taxes payable		**12.8**	14.8
Deferred revenues and deposits		**9.3**	16.0
Current portion of long-term debt	18	**1.2**	251.2
		472.1	717.3
Long-term debt	18	**1,381.9**	1,209.8
Deferred taxes	10	**120.2**	98.4
Provisions	19	**1.9**	2.3
Other liabilities	20	**114.5**	120.3
		2,090.6	2,148.1
Equity			
Share capital	21	**641.9**	642.4
Contributed surplus		**1.1**	1.1
Retained earnings		**1,069.9**	979.8
Accumulated other comprehensive income (loss)	24	**(25.9)**	10.8
Attributable to shareholders of the Corporation		**1,687.0**	1,634.1
Non-controlling interests		**4.2**	—
		1,691.2	1,634.1
		$ 3,781.8	$ 3,782.2

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended October 27, 2019 and October 28, 2018
(in millions of Canadian dollars)

	Notes	October 27, 2019	October 28, 2018
Operating activities			
Net earnings		**$ 166.1**	$ 213.4
Adjustments to reconcile net earnings and cash flows from operating activities:			
Impairment of assets	7	**0.5**	6.6
Depreciation and amortization	8	**223.6**	193.5
Financial expenses on long-term debt	9	**60.7**	40.7
Net gains on disposal of assets	6	**(42.0)**	(5.1)
Net gains on business acquisitions and disposals	6	**(4.8)**	(37.5)
Income taxes	10	**76.5**	117.8
Net foreign exchange differences and other		**(10.0)**	9.8
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		**470.6**	539.2
Changes in non-cash operating items [(1)]	25	**20.5**	(184.8)
Income taxes paid		**(59.5)**	(41.9)
Cash flows from operating activities		**431.6**	312.5
Investing activities			
Business combinations, net of acquired cash	4	**(18.5)**	(1,573.3)
Business disposals	4	**9.5**	35.0
Acquisitions of property, plant and equipment	13	**(104.1)**	(59.4)
Disposals of property, plant and equipment	13	**100.5**	24.7
Increase in intangible assets		**(21.5)**	(20.6)
Dividends received from joint ventures		**—**	3.4
Net cash outflow on acquisition of an associate		**—**	(2.5)
Cash flows from investing activities		**(34.1)**	(1,592.7)
Financing activities			
Increase in long-term debt, net of issuance costs	18 & 25	**302.9**	958.9
Reimbursement of long-term debt	18 & 25	**(250.0)**	(164.0)
Net increase (decrease) in credit facility, net of issuance costs	18 & 25	**(134.3)**	128.4
Financial expenses on long-term debt		**(64.0)**	(35.0)
Proceeds from issuance of shares in exchange for subscription receipts, net of issuance costs		**—**	274.9
Dividends	21	**(76.0)**	(68.6)
Share redemptions	21	**—**	(23.6)
Cash flows from financing activities		**(221.4)**	1,071.0
Effect of exchange rate changes on cash denominated in foreign currencies		**(2.9)**	2.6
Net change in cash		**173.2**	(206.6)
Cash at beginning of year		**40.5**	247.1
Cash at end of year		**$ 213.7**	$ 40.5
Non-cash investing activities			
Net change in capital asset acquisitions financed by accounts payable		**$ 3.8**	$ 1.3

(1) Includes the accelerated recognition of deferred revenues balance as at October 29, 2017 as part of the transaction with Hearst for the years ended October 27, 2019 and October 28, 2018 (Note 31).

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

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

1 GENERAL INFORMATION

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

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

The Corporation's Board of Directors approved these consolidated financial statements on December 12, 2019.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

The accounting policies adopted in these annual consolidated financial statements are based on IFRS that were issued, in effect and adopted by the Corporation as at October 27, 2019. Any subsequent changes to the accounting policies that will be in effect in the Corporation's consolidated financial statements after October 27, 2019 could result in a restatement of these annual consolidated financial statements.

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

a) Basis of measurement

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

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

b) Basis of consolidation

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

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

The Corporation holds the following main subsidiaries:

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Business combinations

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

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

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

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

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

d) New or amended accounting standards adopted

- **Revenue from Contracts with Customers**

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

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

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

  The accounting policy applied to recognize revenues from the sale of goods and services under IFRS 15 is presented in section e) Revenue recognition of this note.

- **Financial Instruments**

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

  i) Classification and measurement of financial assets and financial liabilities

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) New or amended accounting standards adopted (continued)

- **Financial Instruments (continued)**

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

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

  ii) Impairment of financial assets

  With respect to impairment of financial assets, IFRS 9 requires applying the expected credit losses model instead of the incurred credit losses model set out in IAS 39. Under the expected credit losses model, the Corporation must recognize expected credit losses and changes in such losses at each reporting date to reflect changes in credit risk since the initial recognition of the financial assets. For accounts receivable, the Corporation has applied the simplified approach permitted by IFRS 9, under which lifetime expected credit losses must be recognized upon initial recognition. For loans classified under "other receivables", the Corporation measures credit risk based on the 12-month expected credit risk if there has not been a significant increase in credit risk since initial recognition. Although cash and cash equivalents and other receivables are subject to the IFRS 9 impairment requirements, the expected credit losses identified were not significant.

  iii) Hedge accounting

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

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

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

  In June 2016, the IASB issued "Classification and Measurement of Share-based Payment Transactions", which amends IFRS 2 "Share-based Payment" and clarifies how to account for certain types of share-based payment transactions, such as the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments. The Corporation applied these amendments as of October 29, 2018 to awards granted on or after that date and to unvested and vested but unexercised awards outstanding at that date. The amendments were applied prospectively. The adoption of these amendments had no impact on the consolidated financial statements for the year ended October 27, 2019.

e) Revenue recognition

For the fiscal year ended October 28, 2018, in accordance with IAS 18 "Revenue", the Corporation had recognized revenues from the sale of goods and services when goods were delivered and services were rendered.

When selling goods, the Corporation had recognized revenues when the following conditions were satisfied: 1) the significant risks and rewards of ownership had been transferred; 2) the Corporation retained neither continuing managerial involvement nor effective control over the goods sold; 3) the amount of revenue could be reliably measured; 4) it was probable that the economic benefits associated with the transaction would flow to the Corporation and 5) the costs incurred or to be incurred as part of the sale of goods could be reliably measured.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Revenue recognition (continued)

When rendering services, the Corporation had recognized revenues when the following conditions were satisfied: 1) the amount of revenue could be reliably measured; 2) the stage of completion of the activity could be reliably measured; 3) it was probable that the economic benefits associated with the transaction would flow to the Corporation; 4) the costs incurred or to be incurred as part of the rendering of services could be reliably measured.

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

- Packaging products
  Revenues from the sale of packaging products were recognized when the products were shipped or delivered, in accordance with the customer agreement.

- Printing services
  Revenues from the sale of printing products were recognized when the products were shipped or delivered, in accordance with the customer agreement.

  Distribution revenues:
  Door-to-door distribution revenues were recognized at the delivery date of the advertising material.

  Premedia revenues:
  Premedia revenues were recognized when services were provided, in accordance with the customer agreement.

In the Media Sector, revenues were recognized as follows:

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

For the fiscal year ended October 27, 2019, as a result of adopting IFRS 15 "Revenue from Contracts with Customers", the Corporation recognized revenues from the sale of goods or services when control over a good or service is transferred to the customer.

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

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

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

- Packaging products
  Revenues are recognized when control over the products is transferred to the customer, which is usually when the products are shipped or delivered in accordance with the customer agreement.

- Printing services
  Revenues from the sale of printing services are recognized when control over the products is transferred to the customer, which is usually when the products are shipped or delivered in accordance with the customer agreement.

  Distribution revenues
  Door-to-door distribution revenues are recognized over time during the delivery of the advertising material.

  Premedia revenues
  Premedia revenues are recognized at a point in time, when services are provided.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Revenue recognition (continued)

In the Media Sector, revenues are recognized as follows:

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

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

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

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

Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for temporary differences arising on the initial recognition of goodwill. The carrying amount of deferred tax assets is reviewed at the end of each period and a reduction of the carrying amount is recognized when it is probable that these assets will not be realized.

g) Government assistance
Investment tax credits related to the purchase of property, plant and equipment or intangible assets are recorded as a reduction of the cost of the underlying asset. Investment tax credits related to operating expenses are recorded as a reduction of such expenses. Government assistance related to publishing activities is recorded as a reduction of publishing costs.

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

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

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

k) Property, plant, equipment and investment properties
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes expenditures directly attributable to the acquisition of property, plant and equipment. The costs, such as borrowing costs, incurred directly for the acquisition or construction of property, plant and equipment, are capitalized until the asset is ready for its intended use, and are depreciated over the useful life of the related asset. Property, plant and equipment under construction are not depreciated as long as they have not been put in service.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Property, plant, equipment and investment properties (continued)

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

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

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

l) Leases

Leases are classified as finance leases when substantially all the risks and rewards incidental to ownership of the leased property are transferred to the lessee. Other leases are classified as operating leases.

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

m) Intangible assets

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

The most recent detailed calculation made in a preceding period of the recoverable amount of a CGU (or group of CGUs) to which goodwill has been allocated may be used in the impairment test of that CGU (of group of CGUs) in the current period provided all of the following criteria are met:
- the assets and liabilities making up the CGU (or group of CGUs) have not changed significantly since the most recent recoverable amount calculation;
- the most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the CGU (or group of CGUs) by a substantial margin; and
- based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the CGU (or group of CGUs) is remote.

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Provisions (continued)

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

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

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

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

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

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

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

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

r) Stock-based compensation
The Corporation has stock option and share unit plans for certain officers, senior executives and directors.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Stock-based compensation (continued)

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

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

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

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

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

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

t) Financial instruments
For the fiscal year ended October 28, 2018, the Corporation had applied the classification and measurement requirements applicable to financial instruments in IAS 39 "Financial Instruments".

Financial assets and liabilities were initially recognized at fair value and their subsequent measurement was dependent on their classification. Their classification depended on the purpose for which the financial instruments had been acquired or issued, their characteristics and the Corporation's designation of such instruments.

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

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

Transaction costs directly related to the acquisition or issuance of financial assets or liabilities were capitalized to the cost of financial assets and liabilities that were not classified as held for trading. Thus, long-term debt issuance costs were classified as a reduction of long-term debt, and amortized using the effective interest method.

Changes in fair value of financial instruments held for trading were recorded in the Consolidated Statement of Earnings in the appropriate period. Changes in fair value of derivative financial instruments designated as cash flow hedges were recorded, for the effective portion, in the Consolidated Statement of Comprehensive Income in the appropriate period until their realization, after which they were recorded in the Consolidated Statement of Earnings.

For the fiscal year ended October 27, 2019, the Corporation applied the classification and measurement requirements applicable to financial instruments in IFRS 9 "Financial Instruments", as a result of adopting this standard on October 29, 2018.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Financial instruments (continued)

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

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

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

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

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

All financial assets are recorded net of a loss allowance for lifetime expected credit losses, in accordance with IFRS 9.

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

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

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

For derivative financial instruments designated as cash flow hedges, the effective portion of the hedging relationship is recognized in OCI and the ineffective portion is recognized in the Consolidated Statement of Earnings. The effective portion of a currency risk hedging relationship related to foreign currency sales is reclassified to net earnings during the period in which the hedged item affects net earnings. The effective portion of a currency risk hedging relationship of a firm commitment to acquire an entity in a business combination, which is deferred in accumulated OCI, is reclassified against goodwill upon initial recognition of the acquired entity.

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w) Critical judgments and sources of estimation uncertainty

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

i) Business combinations

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

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

ii) Impairment of non-financial assets

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

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

When a market-based method is used, the Corporation estimates the fair value of the CGU by multiplying the normalized results before depreciation and amortization, interest and taxes by a capitalization multiple that is based on market data.

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

iii) Revenue recognition method

Judgment is required to determine whether revenues should be recognized over time or at a point in time. The Corporation evaluates contracts with customers for whom it manufactures packaging products or to whom it provides custom printing services to determine whether the contract confers upon the Corporation an enforceable right to payment, in which case revenues should be recognized over time rather than at a point in time. For the year ended October 27, 2019, no significant contract met the criteria for recognition over time.

iv) Income taxes

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

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

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

v) Employee benefits

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

x) New or amended accounting standards not yet adopted

- **IFRS 16 "Leases"**

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

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the lessee and the lessor. The standard brings most leases in the lessee's statement of financial position under a single model, eliminating the previous classifications of operating and finance leases.

The only exemptions to this treatment are for lease contracts with a term of less than one year and those for which the underlying asset is of low value. Given the significant contractual obligations classified as operating leases under IAS 17, the adoption of IFRS 16 will mainly result in an increase in assets and liabilities in the statement of financial position due to the recognition of a right-of-use asset and an offsetting liability representing the obligation to make lease payments. A portion of lease expenses previously reported as operating expenses will be reported as depreciation expense and financial expenses, which will represent a significant change in the presentation and timing of recognition of expenses in the Consolidated Statement of Earnings.

IFRS 16 will be applicable to the Corporation for the annual period beginning on October 28, 2019. The Corporation will adopt the standard using the modified retrospective method, under which the cumulative effect of initial application will be reflected in the opening balance of retained earnings as at October 28, 2019, without restatement of comparative figures.

Upon transition, lease liabilities will be measured at the present value of the remaining base lease payments using the incremental borrowing rate applicable as at October 28, 2019. Right-of-use assets will generally be measured at the amount of the corresponding lease liabilities, adjusted for the amount of lease payments that is prepaid or payable as well as provisions for onerous contracts. For certain leases, the Corporation elected to measure right-of-use assets as if the new standard had been applied since the commencement date of these leases, using the incremental borrowing date applicable as at the date of transition.

The Corporation also elected to exclude from the measurement of lease liabilities and right-of-use assets the non-lease components within the scope of IFRS 16 and will therefore continue to recognize them as an expense as they are incurred.

The Corporation will apply some of the optional exemptions permitted by IFRS 16 upon adopting this standard:

- Applying a single discount rate to a portfolio of leases with similar characteristics;
- Applying provisions for onerous contracts against the value of right-of-use assets as an alternative to performing the required impairment test on the assets as at the date of transition;
- Applying the exemptions for leases having a term of less than one year and leases for which the underlying asset is of low value;
- Excluding initial direct costs from the measurement of right-of-use assets at the date of transition; and
- Using hindsight to determine the lease term at the date of initial application.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New or amended accounting standards not yet adopted (continued)

- **Leases (continued)**
  In determining the lease term under IFRS 16, the Corporation will make some assumptions to take into account the facts and circumstances that may create an economic incentive to exercise an option to extend or terminate the lease.

  Following the review of all the leases within the scope of the standard, the Corporation expects to recognize in the Consolidated Statement of Financial Position right-of-use assets estimated to range from $110.0 million to 120.0 million and lease liabilities estimated to range from $130.0 million to $140.0 million. The difference between the assets and liabilities will be recognized in retained earnings. The actual impact of the initial application of IFRS 16 may differ from the estimates provided as the Corporation has not finalized all its calculations.

- **Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)**
  On February 7, 2018, the IASB issued "Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)". The amendments apply for plan amendments, curtailments or settlements that will occur during annual periods beginning on or after January 1, 2019, or the date on which they are first applied. Earlier application is permitted. The amendments to IAS 19 clarify that:
  - on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and
  - the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan.

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

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

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

  The Corporation intends to adopt the Interpretation in its consolidated financial statements for the annual period beginning on October 28, 2019. The extent of the impact of the adoption of the Interpretation is currently being assessed, but the Corporation does not expect that it will be significant.

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

3 SEGMENTED INFORMATION

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

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

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

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

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

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

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

3 SEGMENTED INFORMATION (CONTINUED)

Year ended October 28, 2018	Packaging	Printing	Other	Consolidated Results
Revenues	$ 976.6	$ 1,545.2	$ 101.7	$ 2,623.5
Operating expenses	869.6	1,110.7	91.2	2,071.5
Restructuring and other costs (gains)	8.0	9.2	(8.6)	8.6
Impairment of assets	—	3.5	3.1	6.6
Operating earnings before depreciation and amortization (1)	99.0	421.8	16.0	536.8
Depreciation and amortization	77.1	81.1	10.9	169.1
Operating earnings	$ 21.9	$ 340.7	$ 5.1	$ 367.7
Adjusted operating earnings before depreciation and amortization (1)	$ 116.5	$ 332.4	$ 10.5	$ 459.4
Adjusted operating earnings (1)	79.6	277.3	—	356.9
Acquisitions of non-current assets (2)	$ 29.9 $	$ 33.7	$ 15.1	$ 78.7

(1) The Corporation's officers mainly make decisions and assess segment performance based on adjusted operating earnings. Adjusted operating earnings before depreciation and amortization and adjusted operating earnings exclude restructuring and other costs (gains), impairment of assets, amortization of intangible assets arising from business combinations, reversal of the fair value adjustment of inventory sold arising from business acquisitions, as well as the accelerated recognition of deferred revenues and accelerated depreciation of equipment as part of the agreements with Hearst (Note 31) (only for adjusted operating earnings as it relates to amortization of intangible assets arising from business combinations and accelerated depreciation of equipment).

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

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

3 SEGMENTED INFORMATION (CONTINUED)

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

	October 27, 2019	October 28, 2018
Packaging products		
Americas	**$ 1,509.0**	$ 924.3
Rest of the world	**109.3**	52.3
	1,618.3	976.6
Printing services (1)		
Retailer-related services (2)	**846.3**	891.4
Marketing products	**138.0**	146.4
Magazines and books	**215.9**	224.9
Newspapers	**136.5**	282.5
	1,336.7	1,545.2
Media (1)	**92.7**	115.8
Inter-segment sales	**(8.9)**	(14.1)
	$ 3,038.8	$ 2,623.5

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

	As at October 2019	As at October 2018
Packaging	**$ 2,457.1**	$ 2,524.5
Printing	**945.9**	1,052.9
Other (3)	**378.8**	204.8
	$ 3,781.8	$ 3,782.2

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

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

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

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

3 SEGMENTED INFORMATION (CONTINUED)

		As at October 27, 2019		As at October 28, 2018 [1]
Non-current assets [2]				
Canada	**$**	**770.0**	$	798.7
United States		**1,650.2**		1,728.1
Other		**258.7**		288.9
	$	**2,678.9**	$	2,815.7

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

[2] These amounts include property, plant and equipment, intangible assets, goodwill and other non-current assets, and exclude derivative financial instruments, deferred taxes and defined benefit asset.

4 BUSINESS COMBINATIONS AND DISPOSALS

Business combinations

Transactions for the year ended October 27, 2019

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

  As at October 27, 2019, the initial purchase price allocation led to the recognition of a gain from a bargain purchase of $2.3 million. The gain was recognized in the Consolidated Statement of Earnings under Restructuring and other costs (gains) (Note 6).

  The purchase price allocation remains provisional for the year ended October 27, 2019.

- **Holland & Crosby**
  On October 1, 2019, the Corporation acquired the assets of Holland & Crosby Limited, a manufacturing company located in Mississauga, Ontario, that specializes in in-store marketing product printing for North American retailers. This acquisition is aligned with the Corporation's strategy of enhancing its offering in the promising vertical of in-store marketing product printing which has been continuously growing for several years now. The transaction was completed for a purchase price of $20.0 million, subject to customary adjustments, and including a $2.0 million purchase price withholding payable on the first anniversary of the transaction provided that no compensation for damages is claimed by the Corporation during the reference period.

  As at October 27, 2019, the initial purchase price allocation led to the recognition of goodwill of $4.1 million. The recognized goodwill is deductible for tax purposes.

  The purchase price allocation remains provisional for the year ended October 27, 2019.

The Corporation's Consolidated Statement of Earnings for the year ended October 27, 2019 includes the operating results of Trilex and Holland & Crosby since their acquisition date, namely additional revenues of $5.1 million and operating earnings before depreciation and amortization of $0.3 million, including adjustments related to the accounting of these acquisitions. The fair value of acquired accounts receivable of $7.1 million is included in current assets recognized as part of the provisional accounting for these business combinations.

If the Corporation had acquired these entities at the beginning of the year ended October 27, 2019, the Corporation estimates that its revenues would have increased by an additional $43.1 million and its operating earnings before depreciation and amortization would have increased by an additional $4.1 million. To determine these amounts, the Corporation made the assumption that fair value adjustments at the acquisition date would have been the same if the acquisition had occurred on October 29, 2018.

4 BUSINESS COMBINATIONS AND DISPOSALS (CONTINUED)

Business combinations (continued)

Transactions for the year ended October 28, 2018

- **Coveris Americas**
  On May 1, 2018, the Corporation completed the acquisition of all the shares of Coveris Americas previously held by Coveris Holdings S.A. ("CHSA") (the "Acquisition"). Headquartered in Chicago, Coveris Americas manufactures a variety of flexible plastic and paper products, including rollstock, bags and pouches, coextruded films, shrink films, coated substrates and labels. The Acquisition of Coveris Americas was in line with our growth strategy and allowed the Corporation to become a North American leader in flexible packaging.

  The cash consideration was $1,536.6 million (US$1,194.2 million), including customary adjustments for working capital. At Acquisition date, the Corporation had financed the consideration paid as well as the acquisition costs out of a combination of:
  - cash-on-hand for an amount of $228.0 million;
  - an amount drawn from existing credit facilities of $222.3 million, in the form of an amount of $55.0 million and US$130.0 million ($167.3 million);
  - an amount drawn from new credit facilities of $965.0 million (US$750.0 million); and
  - the net proceeds from a bought deal public offering of subscription receipts of $274.9 million.

  During the year ended October 28, 2018, acquisition costs of $14.1 million, and integration costs related to the acquisition of $11.7 million had been expensed and recorded under Restructuring and other costs (gains) (Note 6). During the year ended October 27, 2019, the Corporation continued to incur integration costs related to the acquisition of Coveris, and these costs amounted to $4.1 million (Note 6).

  The acquisition of Coveris Americas gave rise to goodwill because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. During the year ended October 27, 2019, the Corporation finalized the purchase price allocation analysis, as well as the accounting of this acquisition, without any material impact. The final measurement of the fair value of assets acquired and liabilities assumed is included in the following table and led to the recognition of goodwill of $597.4 million. The recognized goodwill is not deductible for tax purposes.

- **Multifilm**
  On March 7, 2018, the Corporation had acquired Multifilm Packaging Corporation ("Multifilm"), a flexible packaging supplier located in Elgin, Illinois, for a purchase price of $60.3 million, subject to adjustments and including a contingent cash consideration of $15.1 million payable following the achievement of pre-established financial performance. This acquisition was aligned with the growth strategy for the Packaging Sector. During the year ended October 27, 2019, the Corporation updated its performance forecast to remeasure the fair value of the contingent consideration. A favourable adjustment of $5.3 million was recorded against the contingent consideration and led to the recognition of a gain in net earnings under Restructuring and other costs (gains) (Note 6).

  During the year ended October 27, 2019, the Corporation finalized the purchase price allocation analysis, as well as the accounting for this acquisition, without any material impact. The final measurement of the fair value of assets acquired and liabilities assumed in included in the following table and led to the recognition of goodwill of $25.2 million. The recognized goodwill is not deductible for tax purposes.

- **Somabec**
  On October 2, 2018, the Corporation had acquired Somabec Ltd ("Somabec"), a pan-Canadian distributor of French-language books, and Edisem ("Edisem"), a publishing house (collectively, "Somabec"), for a final purchase price of $2.2 million. This acquisition had enabled the Corporation to optimize its offering in the higher education markets.

  During the year ended October 27, 2019, the Corporation finalized the purchase price allocation analysis, as well as the accounting for this acquisition, without any material impact. The final measurement of the fair value of assets acquired and liabilities assumed is included in the following table.

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

4 BUSINESS COMBINATIONS AND DISPOSALS (CONTINUED)

Business combinations (continued)

- **Purchase price allocation**
  The following table presents the value of the acquired companies' assets acquired and liabilities assumed at the acquisition date:

	2019 acquisitions	2018 acquisitions	
	Provisional allocations(1)	Provisional allocations(2)	Final allocations(3)
Assets acquired			
Cash acquired	**$ 3.6**	$ 21.9	$ 22.0
Current assets	**13.1**	383.5	383.7
Property, plant and equipment	**8.3**	461.3	461.3
Intangible assets	**10.4**	611.9	611.9
Goodwill	**4.1**	623.2	624.0
Deferred taxes	**0.1**	0.3	0.5
Other assets	**—**	1.4	1.4
	39.6	2,103.5	2,104.8
Liabilities assumed			
Current liabilities	**6.1**	205.2	207.2
Long-term debt and finance leases (including current portion) (4)	**1.6**	166.2	166.2
Pension benefits and other post-employment benefit plans	**1.0**	17.2	17.2
Deferred taxes	**0.3**	113.5	112.7
Other liabilities	**—**	2.3	2.3
	9.0	504.4	505.6
	$ 30.6	$ 1,599.1	$ 1,599.2
Non-controlling interest	**$ (4.2)**	$ —	$ —
Gain from a bargain purchase	**(2.3)**	—	—
	$ 24.1	$ 1,599.1	$ 1,599.2
Total consideration			
Cash paid	**$ 22.1**	$ 1,584.0	$ 1,584.1
Short-term contingent consideration payable (including purchase price withholding)	**2.0**	—	—
Long-term contingent consideration payable	**—**	15.1	15.1
	$ 24.1	$ 1,599.1	$ 1,599.2

(1) Includes the acquisitions of Trilex and Holland & Crosby made during the year ended October 27, 2019.

(2) Includes the acquisitions of Coveris Americas, Multifilm and Somabec made during the year ended October 28, 2018 and for which the purchase price allocation calculations remained provisional as at October 28, 2018.

(3) Includes the purchase price allocation for Coveris Americas, Multifilm and Somabec as finalized during the year ended October 27, 2019.

(4) As at October 27, 2019, the acquired long-term debt amounting to $1.7 million had not been repaid. As at October 28, 2018, long-term debt and certain finance leases of Coveris Americas totalling $143.9 million had been repaid by the Corporation. With respect to the other acquisitions, long-term debt of $18.9 million had also been repaid by the Corporation as at October 28, 2018.

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

4 BUSINESS COMBINATIONS AND DISPOSALS (CONTINUED)

Business disposals

Transactions for the year ended October 27, 2019

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

On September 19, 2019, the Corporation sold the majority of its specialty media assets and event planning activities as part of its strategic shift into flexible packaging (Note 26).

Transactions for the year ended October 28, 2018

- **Sale of local and regional newspapers in Quebec**
  During the year ended October 28, 2018, the Corporation had disposed of several groups of local and regional newspapers in Quebec, representing a total of 67 newspapers and web-related properties, in exchange for a cash consideration and an amount receivable. These transactions were part of the sale process of local and regional newspapers in Quebec and Ontario announced by the Corporation on April 18, 2017.

- **Sale of CEDROM-SNi**
  On December 20, 2017, the Corporation had announced the sale of CEDROM-SNi, an equity investment owned at 50% and which was accounted for using the equity method, in exchange for a cash consideration and an amount receivable.

5 OPERATING EXPENSES

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

	October 27, 2019	October 28, 2018
Employee-related costs	**$ 781.3**	$ 654.0
Supply chain and logistics (1)	**1,629.3**	1,303.7
Other goods and services (2)	**140.7**	113.8
	$ 2,551.3	$ 2,071.5

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

(2) "Other goods and services" includes mainly promotion, advertising and telecommunications costs, office supplies, real estate expenses and professional fees. Operating leases recognized during the year ended October 27, 2019 represent $31.2 million ($26.4 million for the year ended October 28, 2018). Leasing and subleasing revenues recognized during the year ended October 27, 2019 were $3.0 million ($3.9 million for the year ended October 28, 2018).

The cost of goods sold recognized in operating expenses for the year ended October 27, 2019 was $2,024.5 million ($1,599.3 million for the year ended October 28, 2018). An amount of $8.3 million was recognized as inventory obsolescence expense for the year ended October 27, 2019 ($4.9 million for the year ended October 28, 2018).

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

6 RESTRUCTURING AND OTHER COSTS (GAINS)

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

	October 27, 2019	October 28, 2018
Workforce reductions (1)	**$ 21.4**	$ 11.6
Gains related to the sale and acquisition of certain activities (Note 4) (2)	**(0.5)**	(27.2)
Other elements (3)	**(7.7)**	2.7
Net gains on sale of buildings	**(43.8)**	(6.5)
Onerous contracts	**1.3**	2.0
Business acquisition costs (4)	**0.7**	14.3
Other acquisition-related costs (5)	**4.1**	11.7
	$ (24.5)	$ 8.6

(1) Includes a provision for restructuring of $14.9 million for the year ended October 27, 2019, related to the closure of the Brampton plant.

(2) Includes a provision for other receivables related to previous transactions of $3.9 million, offset by a gain on sale of activities of $2.6 million and a gain on a business acquisition of $2.3 million for the year ended October 27, 2019.

Includes net gains on the sale of Quebec local and regional newspapers and Atlantic Canada medias (Note 4) as well as a provision for impaired loan of $10.3 million related to a previous transaction for the year ended October 28, 2018.

(3) Includes mainly an amount of $8.7 million related to the reclassification to net earnings of translation adjustments, an expense of $3.2 million related to the transfer of equipment from the Fremont plant (Note 31) and an amount of $5.3 million related to the revaluation of a contingent consideration payable as part of past business combinations (Note 4) for the year ended October 27, 2019.

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

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

7 IMPAIRMENT OF ASSETS

Impairment of assets by major headings is as follows for the years ended:

	October 27, 2019	October 28, 2018
Property, plant and equipment	**$ 0.4**	$ 3.5
Intangible assets	**0.1**	3.1
	$ 0.5	$ 6.6

Property, plant, equipment
During the years ended October 27, 2019 and October 28, 2018, the Corporation recognized an impairment charge in respect of property, plant and equipment in the Printing Sector of $0.4 million and $3.5 million, respectively, mainly related to the closure of plants following the termination of certain newspapers.

Intangible assets
During the year ended October 28, 2018, the Corporation recognized an impairment charge of $3.1 million in respect of intangible assets with a finite useful life, mainly for costs relating to technology projects in the Media Sector following the sale of its Atlantic Canada media assets and Quebec local and regional newspapers.

Goodwill and intangible assets with indefinite useful life
During the years ended October 27, 2019 and October 28, 2018, the Corporation performed its annual impairment test on goodwill and intangible assets with an indefinite useful life, which consist of trade names acquired in business combinations for book publishing activities. The Corporation has concluded that the recoverable amount of the groups of CGUs subject to the test was greater than their carrying amount. Accordingly, no impairment charge was recognized during these years.

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

7 IMPAIRMENT OF ASSETS (CONTINUED)

Annual impairment test

As at October 27, 2019, the Corporation performed its annual impairment tests of goodwill, in accordance with paragraph n) of Note 2 "Significant accounting policies".

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

The fair value less costs of disposal is determined using capitalization multiples derived from comparable companies whose activities are similar to the CGU or group of CGUs concerned and applied to the fiscal 2020 budget.

The value in use is determined by discounting expected future cash flows, which are derived from the three-year financial forecasts approved by management. The financial forecasts are based on past experience and reflect management's expectations regarding operating results and capital expenditures, taking into account the business strategy and economic and specific trends of the industry and market. Beyond the three-year period, cash flows are extrapolated using estimated perpetual growth or decline rates, which are not greater than those forecasted for specific markets in which the groups of CGUs operate.The assumptions used by the Corporation in the future expected cash flow discounting model are classified in Level 3 of the fair value hierarchy, signifying that they are not based on observable market data.

The Corporation performed a sensitivity analysis of capitalization multiples and operating earnings as part of its final assessment of the recoverable amounts of the CGUs or group of CGUs tested for impairment. The results of the sensitivity analysis show that a 1.0x decrease in capitalization multiples or a 5% decrease in operating earnings before amortization and depreciation would not change the results of the test.

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

	Carrying amount of goodwill	Basis used for recoverable amount	Capitalization multiple
Packaging Sector			
Americas Group	$ 755.3	Fair value	11.0x
Coatings Group	70.0	Fair value	11.0x
Printing Sector			
Retail and Newspaper Group	211.5	Fair value	5.5x
Magazine, Book and Catalogue Group	65.4	Fair value	5.5x

The Premedia Group, Book Publishing Group and Business Solutions Group CGUs were validated as part of the impairment test as at October 27, 2019 . The carrying amount of goodwill related to these CGUs is not significant compared to the total carrying amount of the Corporation's goodwill (Note 15).

8 DEPRECIATION AND AMORTIZATION

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

	October 27, 2019	October 28, 2018
Property, plant and equipment and investment properties	**$ 121.4**	$ 117.5
Intangible assets	**80.6**	51.6
	202.0	169.1
Intangible assets and other assets, recognized in revenues and operating expenses	**21.6**	24.4
	$ 223.6	$ 193.5

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

9 NET FINANCIAL EXPENSES

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

	October 27, 2019	October 28, 2018
Financial expenses on long-term debt	**$ 60.7**	$ 40.7
Net interest on defined benefit asset and liability (Note 27)	**2.6**	1.9
Other revenues (expenses)	**3.3**	(3.5)
Net foreign exchange gains (losses)	**0.3**	(2.6)
	$ 66.9	$ 36.5

10 INCOME TAXES

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

	October 27, 2019	October 28, 2018
Earnings before income taxes	**$ 242.6**	$ 331.2
Canadian statutory tax rate (1)	**26.62 %**	26.72 %
Income taxes at the statutory tax rate	**64.6**	88.5
Effect of differences in tax rates in other jurisdictions	**(11.1)**	(5.1)
Income taxes on non-deductible expenses and non-taxable revenues	**(5.1)**	(1.1)
Change in deferred tax assets on tax losses or temporary differences not previously recognized	**(0.9)**	(1.7)
Impact of the U.S. tax reform (2)	**30.2**	36.6
Other	**(1.2)**	0.6
Income taxes at effective tax rate	**$ 76.5**	$ 117.8
Income taxes before the following items:	**$ 60.9**	$ 81.0
Impact of the U.S. tax reform (2)	**30.2**	36.6
Income taxes on amortization of intangible assets arising from business combinations	**(17.9)**	(11.2)
Income taxes on reversal of the fair value adjustment of inventory sold arising from business acquisitions	**—**	(2.3)
Income taxes on accelerated recognition of deferred revenues, net of accelerated depreciation, as part of the agreements with Hearst	**2.7**	21.0
Income taxes on restructuring and other costs (gains)	**0.7**	(5.6)
Income taxes on impairment of assets	**(0.1)**	(1.7)
Income taxes at effective tax rate	**$ 76.5**	$ 117.8

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

(2) On December 22, 2017, the U.S. Tax Cuts and Jobs Act ("TCJA") was enacted. The TCJA significantly reforms the U.S. federal tax legislation, including, but not limited to, reducing the U.S. federal corporate income tax rate from a progressive tax rate of up to 35% to a fixed rate of 21%, effective January 1, 2018. The most significant impact of the TCJA on the Corporation’s net earnings for the year ended October 28, 2018 results from this tax rate decrease and the remeasurement of the Corporation's net deferred tax assets using the reduced tax rate. The Corporation recorded a tax expense of $36.6 million to reflect the remeasurement of its deferred tax assets using the enacted tax rate. During the years ended October 27, 2019 and October 28, 2018, the Corporation’s U.S. federal statutory tax rate was an average rate of 21.0% and 23.2%, respectively.

The Corporation's U.S. income tax provision for the year ended October 27, 2019 and the resulting income tax assets and liabilities have been determined based on the Internal Revenue Code and the related regulations currently enacted. The U.S. Treasury Department, the Internal Revenue Service ("IRS"), and other standard-setting bodies will eventually issue directives (which could potentially apply retroactively) on how the provisions of the TCJA will be applied or administered. These guidelines could lead to an interpretation that is very different from ours. As these directives are issued by the IRS or any other standard-setting body, we will be able to re-analyze the relevant data and potentially have to adjust the recorded amounts. These adjustments could materially affect our financial position and results of operations as well as our effective tax rate in the period in which they are made. During the year ended October 27, 2019, a new directive was adopted and its retroactive application reduced the Corporation's previously recognized deferred tax assets by $30.2 million.

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

10 INCOME TAXES (CONTINUED)

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

	October 27, 2019	October 28, 2018
Current income taxes		
Current year	**$ 56.8**	$ 58.3
Adjustment for previous years' balances	**(3.3)**	(0.9)
	53.5	57.4
Deferred taxes		
Adjustment for previous years' balances	**2.0**	1.1
Origination and reversal of temporary differences	**20.9**	22.4
Change in deferred tax assets on tax losses or temporary differences not previously recognized	**(0.9)**	(1.7)
Impact of tax rate changes	**1.0**	38.6
	23.0	60.4
Income taxes	**$ 76.5**	$ 117.8

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

	As at October 27, 2019		As at October 28, 2018	
	Asset	Liability	Asset	Liability
Property, plant and equipment	**$ —**	**$ 85.5**	$ —	$ 80.6
Intangible assets and goodwill	**—**	**159.4**	—	173.5
Provisions	**18.7**	**—**	17.4	—
Deferred revenues	**3.5**	**—**	7.3	—
Long-term debt	**1.5**	**—**	—	1.2
Defined benefit plans	**19.4**	**—**	14.9	—
Issuance of shares	**2.5**	**—**	3.0	—
Loss carryforwards	**82.7**	**—**	101.1	—
Interest expense	**15.1**	**—**	26.4	—
Other	**8.5**	**—**	5.2	—
	151.9	**244.9**	175.3	255.3
Offsetting of assets and liabilities	**(124.7)**	**(124.7)**	(156.9)	(156.9)
	$ 27.2	**$ 120.2**	$ 18.4	$ 98.4

Loss carryforwards included in deferred tax assets expire between 2020 and 2039.

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

10 INCOME TAXES (CONTINUED)

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

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

Changes in deferred tax assets and liabilities for the year ended October 28, 2018 are as follows :

	Balance as at October 29, 2017	Recognized in net earnings	Exchange rate change	Recognized in other comprehensive income (loss)	Issuance of shares	Business combinations	Balance as at October 28, 2018
Property, plant and equipment	$ (42.1)	$ 9.8	$ (1.3)	$ —	$ —	$ (47.0)	$ (80.6)
Intangible assets and goodwill	(38.0)	10.1	(2.8)	—	—	(142.8)	(173.5)
Provisions	16.7	(4.5)	0.2	—	—	5.0	17.4
Deferred revenues	41.9	(34.1)	(0.5)	—	—	—	7.3
Long-term debt	(1.9)	0.1	0.3	0.3	—	—	(1.2)
Defined benefit plans	12.5	(0.9)	0.2	(1.8)	—	4.9	14.9
Issuance of shares	—	—	—	—	3.0	—	3.0
Loss carryforwards	105.5	(47.4)	2.0	—	—	41.0	101.1
Interest expense	—	—	0.4	—	—	26.0	26.4
Other	0.3	6.5	(0.7)	0.6	—	(1.5)	5.2
	$ 94.9	$ (60.4)	$ (2.2)	$ (0.9)	$ 3.0	$ (114.4)	$ (80.0)

As at October 27, 2019, the Corporation had $0.9 million in capital losses that can be carried forward indefinitely and for which the potential benefits have not been recognized. In addition, the Corporation has deductible temporary differences as well as loss carryforwards in certain states of the United States for which, considering that it is unlikely that a sufficient future taxable income will be available to use a portion of those items, the Corporation has not recognized a deferred tax asset totaling $29.1 million. Loss carryforwards related to this unrecognized asset expire between 2020 and 2039.

As at October 27, 2019, no deferred tax liability was recognized for temporary differences arising from investments in subsidiaries because the Corporation controls the decisions affecting the realization of such liabilities and it is probable that the temporary differences will not reverse in the foreseeable future.

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

11 ACCOUNTS RECEIVABLE

The components of accounts receivable are as follows:

	As at October 27, 2019	As at October 28, 2018
Trade receivables	**$ 477.8**	$ 515.2
Allowance account for credit losses	**(5.2)**	(4.4)
Other receivables	**48.1**	54.6
	$ 520.7	$ 565.4

12 INVENTORIES

The components of inventories are as follows:

	As at October 27, 2019	As at October 28, 2018
Raw materials	**$ 155.3**	$ 151.1
Work in progress and finished goods	**162.5**	167.2
Provision for obsolescence	**(13.6)**	(12.7)
	$ 304.2	$ 305.6

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

13 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

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

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

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

October 28, 2018	Land	Buildings	Investment properties	Leasehold improvement	Machinery and equipment	Machinery and equipment under finance leases	Other equipment	Assets under construction and deposits on equipment	Total
Cost									
Balance, beginning of year	$ 43.8	$ 228.6	$ —	$ 46.7	$ 1,189.2	$ 13.0	$ 86.4	$ 15.0	$ 1,622.7
Acquisitions	—	2.1	0.2	0.5	8.4	—	1.4	45.5	58.1
Transfers	(27.4)	(45.0)	72.4	—	—	—	—	—	—
Made available for use	—	7.3	0.1	1.3	38.5	—	1.4	(48.6)	—
Business combinations (Note 4)	20.7	70.6	—	0.2	339.1	—	3.6	30.0	464.2
Business disposals (Note 4)	—	(0.8)	—	(0.3)	(0.1)	—	(0.2)	—	(1.4)
Disposals and retirement	(0.9)	(5.9)	—	(1.6)	(188.1)	(0.1)	(11.9)	(0.5)	(209.0)
Exchange rate change and other	0.3	1.5	1.3	(0.1)	4.5	—	0.3	0.4	8.2
Balance as at October 28, 2018	$ 36.5	$ 258.4	$ 74.0	$ 46.7	$ 1,391.5	$ 12.9	$ 81.0	$ 41.8	$ 1,942.8
Accumulated depreciation and impairment losses									
Balance, beginning of year	$ —	$ (121.6)	$ —	$ (21.9)	$ (889.2)	$ (13.0)	$ (76.2)	$ —	$ (1,121.9)
Depreciation	—	(9.5)	(0.9)	(4.3)	(97.1)	—	(5.7)	—	(117.5)
Transfers	—	17.0	(17.0)	—	—	—	—	—	—
Business disposals (Note 4)	—	0.5	—	0.2	0.1	—	0.1	—	0.9
Disposals and retirement	—	2.6	—	1.3	174.1	0.1	11.6	—	189.7
Impairment losses	—	—	—	(0.2)	(3.3)	—	—	—	(3.5)
Exchange rate change and other	—	(0.2)	(0.3)	0.2	(1.3)	—	(0.3)	—	(1.9)
Balance as at October 28, 2018	$ —	$ (111.2)	$ (18.2)	$ (24.7)	$ (816.7)	$ (12.9)	$ (70.5)	$ —	$ (1,054.2)
Net carrying amount	$ 36.5	$ 147.2	$ 55.8	$ 22.0	$ 574.8	$ —	$ 10.5	$ 41.8	$ 888.6

Borrowing costs capitalized to property, plant and equipment
For the years ended October 27, 2019 and October 28, 2018, negligible amounts were capitalized to property, plant and equipment as borrowing costs.

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

14 INTANGIBLE ASSETS

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

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

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

14 INTANGIBLE ASSETS (CONTINUED)

	Finite useful life						Indefinite useful life	
October 28, 2018	Customer relationships	Book prepublication costs	Educational book titles	Non-compete agreements	Technology project costs	Acquired printing contracts and other	Trade names	Total
Cost								
Balance, beginning of year	$ 180.5	$ 143.4	$ 12.6	$ 9.7	$ 51.8	$ 15.5	$ 21.5	$ 435.0
Additions (internally generated)	—	10.6	—	—	4.6	—	—	15.2
Acquisitions	5.4	—	—	—	—	—	—	5.4
Business combinations (Note 4)	615.5	—	—	—	0.1	—	—	615.6
Business disposals (Note 4)	(2.9)	—	—	—	—	(4.0)	(5.5)	(12.4)
Retirement	(10.4)	—	—	(2.1)	(9.5)	(8.2)	(6.0)	(36.2)
Exchange rate change and other	11.6	—	—	—	0.6	—	—	12.2
Balance as at October 28, 2018	$ 799.7	$ 154.0	$ 12.6	$ 7.6	$ 47.6	$ 3.3	$ 10.0	$ 1,034.8
Accumulated amortization and impairment losses								
Balance, beginning of year	$ (72.8)	$ (117.5)	$ (10.9)	$ (8.6)	$ (30.9)	$ (12.9)	$ (10.3)	$ (263.9)
Amortization	(44.2)	(11.6)	(0.6)	(0.2)	(6.3)	(0.4)	(0.2)	(63.5)
Business disposals (Note 4)	2.0	—	—	—	—	1.8	4.2	8.0
Retirement	10.4	—	—	2.1	9.5	8.2	6.0	36.2
Impairment losses	—	—	—	—	(3.1)	—	—	(3.1)
Exchange rate change and other	(0.8)	—	—	—	(0.6)	—	—	(1.4)
Balance as at October 28, 2018	$ (105.4)	$ (129.1)	$ (11.5)	$ (6.7)	$ (31.4)	$ (3.3)	$ (0.3)	$ (287.7)
Net carrying amount	$ 694.3	$ 24.9	$ 1.1	$ 0.9	$ 16.2	$ —	$ 9.7	$ 747.1

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

15 GOODWILL

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

	October 27, 2019	October 28, 2018
Balance, beginning of year	**$ 1,150.0**	$ 505.0
Business combinations (Note 4)	**4.1**	630.9
Impact of finalizing purchase price allocation calculations (Note 4)	**0.8**	—
Business disposals (Note 4)	**(8.5)**	—
Exchange rate change	**(1.1)**	14.1
Balance, end of year	**$ 1,145.3**	$ 1,150.0

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

Operating segments	**As at October 27, 2019**	As at October 28, 2018
Packaging Sector		
Americas Group	**$ 755.3**	$ 755.5
Coatings Group	**70.0**	70.1
	825.3	825.6
Printing Sector		
Retail and Newspaper Group	**211.5**	211.5
Magazine, Book and Catalogue Group	**65.4**	65.4
Premedia Group	**12.5**	12.5
In-store Marketing Product Group (1)	**4.1**	—
	293.5	289.4
Media Sector		
Book Publishing Group	**20.8**	20.8
Business Solutions Group	**5.7**	14.2
	26.5	35.0
	$ 1,145.3	$ 1,150.0

(1) Prior to the acquisition of Holland & Crosby (Note 4), the In-store Marketing Product Group had no goodwill.

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

16 OTHER ASSETS

The components of other assets are as follows:

	As at October 27, 2019	As at October 28, 2018
Contract acquisition costs	**$ 16.0**	$ 19.2
Defined benefit asset (Note 27)	**6.1**	5.0
Other	**12.1**	10.8
	$ 34.2	$ 35.0

17 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	As at October 27, 2019	As at October 28, 2018
Accounts payable and other accruals	**$ 262.9**	$ 267.4
Salaries and other benefits payable	**100.5**	104.7
Stock-based compensation (Note 23)	**8.7**	12.5
Derivative financial instruments	**15.1**	0.6
Financial expenses payable	**4.9**	9.9
Other	**42.6**	36.5
	$ 434.7	$ 431.6

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

18 LONG-TERM DEBT

Long-term debt is as follows:

	Effective interest rate as at October 27, 2019	Maturity	**As at October 27, 2019**	As at October 28, 2018
Term loans - US$750 million	3.64 %	2021-2023	**$ 979.6**	$ 981.0
Term loans - $300 million	3.36	2021-2022	**300.0**	—
Unified Debenture - Fonds de solidarité FTQ - 4.784%	4.84	2028	**100.0**	100.0
Senior unsecured notes - 3.897%	—	-	**—**	250.0
Other loans	—	2026-2029	**4.5**	—
Credit facility	—	2024	**—**	130.8
Finance leases	—	-	**4.8**	5.8
			1,388.9	1,467.6
Issuance costs on long-term debt at amortized cost			**5.8**	6.6
Total long-term debt			**1,383.1**	1,461.0
Current portion of long-term debt			**1.2**	251.2
			$ 1,381.9	$ 1,209.8

Issuance of term loans and repayment of senior unsecured notes
During the year ended October 27, 2019, the Corporation entered into an agreement to issue two new tranches G and H of term loans, each amounting to $150.0 million. These new tranches bear interest at the bankers' acceptance rate plus an applicable margin of 1.20% to 1.45%, payable monthly or quarterly depending on the rate selected, are repayable at any time and have a maturity of 24 and 36 months, depending on the tranche. Issuance costs totaling $0.5 million were incurred and recorded against long-term debt, and are amortized using the effective interest method over the duration of the term loans.

On May 13, 2019, the Corporation repaid the senior unsecured notes amounting to $250.0 million that matured on that same date with a portion of the funds available under the tranches G and H of term loans issued during the year ended October 27, 2019.

Credit facility extension and new credit facility
The Corporation has a credit facility amounting to $400.0 million or the U.S. dollar equivalent, which was maturing in February 2023, and for which maturity was extended on January 23, 2019 to February 2024 on the same terms. The applicable interest rate on the credit facility is based on the credit rating assigned to the Corporation. According to the current credit rating, the rate is either the banker's acceptance rate or LIBOR, plus 1.675%, or the Canadian prime rate or U.S. base rate, plus 0.675%.

During the year ended October 27, 2019, the Corporation entered into an agreement for a new credit facility with a maximum amount of US$25.0 million ($32.7 million), bearing interest at LIBOR plus a margin of 1.10% and maturing in March 2020.

As at October 27, 2019, no amount had been drawn on the credit facilities, and the unused amount under the credit facilities was $432.7 million.

The Corporation had two revolving and uncommitted letters of credit facilities, for an aggregate amount of $40.0 million. The fees applicable to the issued portion of these letters of credit facilities are 0.80% annually. As at October 27, 2019, letters of credit amounting to $31.5 million ($28.7 million as at October 28, 2018) were issued on these facilities, mainly to secure unpaid contributions with respect to the solvency deficiency of the Corporation's defined benefit plans (Note 27 "Employee benefits").

Hedging instruments
As at October 27, 2019, an amount of US$5.0 million ($6.5 million) of the term loans and existing credit facilities denominated in U.S. dollars had been designated by the Corporation as hedging instruments of its net investments in foreign operations. Consequently, during the year ended October 27, 2019, foreign exchange losses of $5.5 million were reclassified to other comprehensive income.

During the year ended year ended October 27, 2019, the Corporation entered into interest rate swaps as a hedge against risks related to future fluctuations of interest rates for an amount of US$450.0 million of certain of its term loans until their respective maturities. The Corporation applies cash flow hedge accounting by designating these swaps as hedging instruments. Consequently, during the year ended October 27, 2019, the change in fair value of these hedging instruments, amounting to $14.8 million, was recognized in other comprehensive income.

The Corporation must comply with certain restrictive covenants, including maintaining certain financial ratios. During the year ended October 27, 2019, the Corporation has not been in default under any covenants.

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

18 LONG-TERM DEBT (CONTINUED)

Loan with Investissement Québec
On October 17, 2019, for purposes of investing in one of its plants, the Corporation secured from Investissement Québec an interest-free loan with a maximum amount of $9.5 million maturing on October 16, 2029. As at October 27, 2019, an amount of $2.9 million had been granted based on the progress of the investments.

Loan with Banco Internacional S.A.
In connection with the acquisition of Trilex (Note 4), the Corporation assumed a long-term debt of US$1.2 million ($1.6 million) bearing interest at 6.25% and maturing on May 6, 2026. The interest rate on this debt is adjustable annually based on the 6-month LIBOR.

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

	Principal payments
2020	$ 1.2
2021	445.5
2022	543.1
2023	294.9
2024	0.1
After	104.1
	$ 1,388.9

19 PROVISIONS

The following table presents changes in provisions for the year ended October 27, 2019:

	Restructuring costs	Onerous contracts	Other	Total
Balance, beginning of year	$ 2.5	$ 3.1	$ 0.4	$ 6.0
Provisions recorded	21.6	2.2	—	23.8
Amounts used	(11.4)	(1.6)	—	(13.0)
Provisions reversed	(0.2)	(0.9)	—	(1.1)
Business combinations	0.3	—	—	0.3
Balance as at October 27, 2019	$ 12.8	$ 2.8	$ 0.4	$ 16.0
Current portion	$ 12.8	$ 1.1	$ 0.2	$ 14.1
Non-current portion	—	1.7	0.2	1.9
	$ 12.8	$ 2.8	$ 0.4	$ 16.0

Restructuring costs
The Corporation is implementing rationalization measures in its operating segments due to major structural changes in the printing and media industry.

Onerous contracts
The provisions for onerous contracts are related to the operating leases for space not used by the Corporation following rationalization measures, and represent the present value of future rental expenses that the Corporation must pay under non-cancellable leases, net of estimated future subleasing revenues expected to be received on these contracts. The maximum term of these contracts is 6.3 years.

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

20 OTHER LIABILITIES

The components of other liabilities are as follows:

	As at October 27, 2019	As at October 28, 2018
Deferred revenues	**$ 4.6**	$ 21.8
Accrued liabilities and other liabilities	**18.6**	24.4
Stock-based compensation (Note 23)	**9.4**	11.0
Defined benefit liability (Note 27)	**81.7**	63.0
Derivative financial instruments	**0.2**	0.1
	$ 114.5	$ 120.3

21 SHARE CAPITAL

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

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

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

	October 27, 2019		October 28, 2018	
	Number of shares	**Amount**	Number of shares	Amount
Class A Subordinate Voting Shares				
Balance, beginning of year	**73,359,454**	**$ 623.4**	63,567,144	$ 352.6
Conversion of Class B Shares into Class A Subordinate Voting Shares	**1,300**	**—**	4,600	—
Income taxes on share issuance costs	**—**	**(0.5)**	—	—
Issuance of shares through a public offering, net of issuance costs	**—**	**—**	10,810,000	277.9
Shares redeemed and cancelled	**—**	**—**	(1,022,290)	(7.1)
Exercise of stock options	**—**	**—**	—	—
Balance, end of year	**73,360,754**	**622.9**	73,359,454	623.4
Class B Shares				
Balance, beginning of year	**13,980,926**	**19.0**	13,985,526	19.0
Conversion of Class B Shares into Class A Subordinate Voting Shares	**(1,300)**	**—**	(4,600)	—
Balance, end of year	**13,979,626**	**19.0**	13,980,926	19.0
	87,340,380	**$ 641.9**	87,340,380	$ 642.4

Share redemptions

On September 27, 2019, the Corporation has been authorized to repurchase, for cancellation on the open market, between October 1, 2019 and September 30, 2020, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 190,560 of its Class B Shares.

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

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

21 SHARE CAPITAL (CONTINUED)

During the year ended October 28, 2018, the Corporation repurchased and cancelled 1,022,290 of its Class A Subordinate Voting Shares at a weighted average price of $23.13, for a total cash consideration of $23.6 million. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares as at October 28, 2018. During the year ended October 28, 2018, the Corporation did not repurchase any of its Class B Shares, and was under no obligation as such at that date.

Dividends
Dividends of $0.870 and $0.830 per share were declared and paid to the holders of shares for the years ended October 27, 2019 and October 28, 2018, respectively.

22 NET EARNINGS PER SHARE

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

	October 27, 2019	October 28, 2018
Numerator		
Net earnings	**$ 166.1**	$ 213.4
Denominator (in millions)		
Weighted average number of shares outstanding - basic	**87.3**	82.5
Dilutive effect of stock options	**0.1**	0.1
Weighted average number of shares - diluted	**87.4**	82.6

As at October 27, 2019 and October 28, 2018, all stock options are included in the calculation of diluted net earnings due to their potential dilutive effect.

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

23 STOCK-BASED COMPENSATION

Share unit plan for certain officers and senior executives

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

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

Number of units	**October 27, 2019**	October 28, 2018	**October 27, 2019**	October 28, 2018
	DSUs		RSUs	
Balance, beginning of year	**308,035**	289,786	**894,900**	957,312
Units granted	**123,008**	18,278	**396,732**	293,880
Units cancelled	**(1,605)**	(4,129)	**(112,515)**	(28,944)
Units paid	**(14,780)**	(5,613)	**(354,835)**	(353,927)
Units converted	**—**	(35)	**—**	35
Dividends paid in units	**21,232**	9,748	**44,611**	26,544
Balance, end of year	**435,890**	308,035	**868,893**	894,900

As at October 27, 2019, the liability related to the share unit plan for certain officers and senior executives was $13.4 million, of which $9.4 million is presented under Other liabilities ($18.1 million as at October 28, 2018, of which $11.0 million is presented under Other liabilities). The expenses recorded in the Consolidated Statements of Earnings for the years ended October 27, 2019 and October 28, 2018 were $2.9 million and $2.9 million, respectively. Amounts totalling $7.6 million and $9.9 million were paid under this plan for the years ended October 27, 2019 and October 28, 2018, respectively.

Share unit plan for directors

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

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

Number of units	**October 27, 2019**	October 28, 2018
Balance, beginning of year	**249,268**	268,551
Directors' compensation	**49,384**	28,925
Units paid	**(20,903)**	(55,928)
Dividends paid in units	**13,522**	7,720
Balance, end of year	**291,271**	249,268

As at October 27, 2019, the liability related to the share unit plan for directors was $4.7 million ($5.4 million as at October 28, 2018). The gains recorded in the Consolidated Statements of Earnings for the years ended October 27, 2019 and October 28, 2018 were $0.3 million and $0.8 million, respectively. Amounts totalling $0.4 million and $1.4 million were paid under this plan for the years ended October 27, 2019 and October 28, 2018, respectively.

Stock option plan

The Corporation has a stock option plan for certain officers and senior executives. The number of Class A Subordinate Voting Shares authorized for issuance and the balance of shares that are issuable under the plan as at October 27, 2019 were 6,078,562 and 3,583,635, respectively. Under the plan, each stock option entitles its holder to receive upon exercise one Class A Subordinate Voting Share. The exercise price of each option is determined using the weighted average price of all trades for the five days immediately preceding the grant of the stock option. The Corporation has ceased granting stock options during the year ended October 31, 2014.

For the years ended October 27, 2019 and October 28, 2018, no stock-based compensation expense was charged to the Consolidated Statements of Earnings.

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

23 STOCK-BASED COMPENSATION (CONTINUED)

The following table presents the changes in the plan's status for the years ended October 27, 2019 and October 28, 2018 :

	Number of options	Weighted average exercise price
Options outstanding at beginning of year	**135,240**	**$ 11.33**
Options outstanding at end of year	**135,240**	**$ 11.33**
Options exercisable at the end of year	**135,240**	**$ 11.33**

As at October 27, 2019, the balance of stock options available for future grants under the plan was 3,448,395.

As at October 27, 2019, the exercise price of options outstanding at the end of the year was $11.33 and their remaining contractual life was 0.2 years.

24 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Cash flow hedges	Net investment hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive income (loss)
Balance as at October 28, 2018	**$ 0.2**	**$ (3.8)**	**$ 39.3**	**$ (24.9)**	**$ 10.8**
Net change in losses, net of income taxes	**(10.0)**	**(5.3)**	**(8.2)**	**(13.2)**	**(36.7)**
Balance as at October 27, 2019	**$ (9.8)**	**$ (9.1)**	**$ 31.1**	**$ (38.1)**	**$ (25.9)**
Balance as at October 29, 2017	$ 1.0	$ (2.5)	$ 24.2	$ (28.2)	$ (5.5)
Net change in gains (losses), net of income taxes	(0.8)	(1.3)	15.1	3.3	16.3
Balance as at October 28, 2018	$ 0.2	$ (3.8)	$ 39.3	$ (24.9)	$ 10.8

As at October 27, 2019, the amounts expected to be reclassified to net earnings in future years are as follows:

	2020	2021	2022	2023	Total
Net change in the fair value of derivatives designated as cash flow hedges	$ 0.6	$ (0.5)	$ (8.7)	$ (4.7)	$ (13.3)
Income taxes	0.2	(0.1)	(2.3)	(1.3)	(3.5)
	$ 0.4	$ (0.4)	$ (6.4)	$ (3.4)	$ (9.8)

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

25 SUPPLEMENTAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	October 27, 2019	October 28, 2018
Accounts receivable	**$ 47.0**	$ 14.9
Inventories	**6.5**	(3.6)
Prepaid expenses and other current assets	**3.5**	(1.0)
Accounts payable and accrued liabilities	**(24.5)**	(99.4)
Provisions	**8.0**	(4.4)
Deferred revenues and deposits	**(18.8)**	(90.1)
Defined benefit plans	**(1.2)**	(1.2)
	$ 20.5	$ (184.8)

The following table presents changes in financial liabilities for the year ended October 27, 2019 :

			Non-cash changes					
	October 28, 2018	Cash flows related to financing activities	Business acquisitions	Fair value adjustments	Foreign exchange rate effect	Amortization of deferred financing	Accrued interest	**October 27, 2019**
Senior unsecured notes - 3.897%	$ 250.0	$ (250.0)	$ —	$ —	$ —	$ —	$ —	**$ —**
Credit facility in Canadian dollars	—	—	—	—	—	—	0.1	**0.1**
Credit facility in U.S. dollars	130.8	(134.3)	—	—	3.5	—	—	**—**
Term loans - US$750 million	981.0	—	—	—	(1.4)	—	3.4	**983.0**
Term loans - $300 million	—	300.0	—	—	—	—	—	**300.0**
Unified Debenture - Fonds de solidarité FTQ - 4.784%	100.0	—	—	—	—	—	0.8	**100.8**
Other external debts	—	2.9	1.6	—	—	—	—	**4.5**
Issuance costs on long-term debt at amortized cost	(6.6)	(1.4)	—	—	—	2.2	—	**(5.8)**
Finance leases	5.8	(1.5)	—	—	0.5	—	—	**4.8**
Contingent considerations	15.6	—	—	(5.1)	0.1	—	—	**10.6**
	$ 1,476.6	$ (84.3)	$ 1.6	$ (5.1)	$ 2.7	$ 2.2	$ 4.3	**$ 1,398.0**

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

26 RELATED PARTY TRANSACTIONS

Business disposal
On September 19, 2019, the Corporation sold the majority of its specialty media assets and event planning activities to two corporations, including Contex Group Inc., an event planning and media company headed by a director and officer of the Corporation. The sale transaction with Contex Group Inc. was a related party transaction carried out at fair value determined in an arm's length transaction setting. The valuation of the fair value of the assets sold to Contex Group Inc. was conducted by a committee comprised of independent members of the Corporation's Board of Directors and addressed, in particular, the valuation of the transfer of ownership of the brands disposed of.

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

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

	October 27, 2019	October 28, 2018
Salaries and other short-term benefits	**$ 11.3**	$ 11.3
Post-employment benefits	**0.7**	0.8
Stock-based compensation	**1.8**	1.5
	$ 13.8	$ 13.6

27 EMPLOYEE BENEFITS

The Corporation offers its employees various contributory and non-contributory defined benefit pension plans and other post-employment defined benefit plans, defined contribution pension plans, group registered savings plans and multi-employer pension plans. Since June 1, 2010, most of the employees participate only in the defined contribution pension plans. For the defined benefit plans, the amount of benefits is generally calculated based on the employees' years of service and salaries. Plan funding is calculated based on actuarial estimates and is subject to limitations under applicable income tax and other regulations. Actuarial estimates prepared during the year were based on assumptions related to projected employee compensation levels up to the time of retirement and the anticipated long-term rate of return on pension plan assets. For defined contribution pension plans, multi-employer pension plans and group registered savings plans, the sole obligation of the Corporation is to make the monthly employer's contribution. Certain obligations of the Corporation under the defined benefit plans are secured by letters of credit, drawn on the Corporation's credit facilities, which are pledged as collateral for unpaid contributions with respect to the solvency deficiency of the plans. The contributions paid by the Corporation to defined contribution pension plans are expensed in the period in which they are earned by employees. The assets of the Corporation's defined benefit pension plans are held in a trust and are not controlled by the Corporation. The Corporation recognizes the annual amounts related to its defined benefit pension plans using calculations based on various actuarial assumptions, in particular regarding discount rates, mortality rates and annual rates of return on plan assets. These estimates may vary significantly from period to period based on the return on plan assets, actuarial valuations and market conditions. The Corporation reviews its actuarial assumptions each year and revises them based on prevailing rates and current trends. The Corporation believes that the assumptions used to account for its accrued benefit obligation are reasonable based on its experience, market conditions and data provided by its external actuary and investment advisor.

United States plans resulting from the acquisition of Coveris Americas
In the United States, the Corporation's employees participate in defined contribution pension plans and defined benefit pension plans. The Coveris Americas' plans were closed to new participants before January 1, 2014. Consequently, the calculation of final benefits under the U.S. plans represented the benefits earned under the U.S. plans as of the date these plans stopped accepting new participants.

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

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

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

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

27 EMPLOYEE BENEFITS (CONTINUED)

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

The most recent actuarial valuations of the Corporation's pension plans for funding purposes were done as at December 31, 2018 for plans registered in Quebec, as at December 31, 2016 for plans registered in Ontario and as at December 1, 2018 for plans registered in the United States.

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

	Pension benefits		Other defined benefit plans		Total	
	October 27, 2019	October 28, 2018	**October 27, 2019**	October 28, 2018	**October 27, 2019**	October 28, 2018
Defined benefit obligation						
Balance, beginning of year	**$ 761.8**	$ 723.7	**$ 14.3**	$ 13.7	**$ 776.1**	$ 737.4
Current service cost (1)	**—**	—	**0.2**	0.8	**0.2**	0.8
Past service cost	**(0.2)**	—	**—**	—	**(0.2)**	—
Business combinations	**1.0**	107.6	**—**	1.1	**1.0**	108.7
Interest cost on the defined benefit obligation	**29.2**	27.2	**0.5**	0.5	**29.7**	27.7
Actuarial gains or losses from:						
Plan experience	**13.0**	0.1	**0.5**	(0.4)	**13.5**	(0.3)
Changes in demographic assumptions	**2.1**	(0.5)	**—**	(0.4)	**2.1**	(0.9)
Changes in financial assumptions	**78.1**	(30.5)	**1.2**	0.1	**79.3**	(30.4)
Defined benefit obligation extinguished on settlement	**(3.0)**	—	**—**	—	**(3.0)**	—
Purchase of annuities (buy-out)	**(1.7)**	—	**—**	—	**(1.7)**	—
Benefits paid	**(53.8)**	(65.3)	**(1.2)**	(1.1)	**(55.0)**	(66.4)
Gain on plan curtailments	**—**	—	**(0.9)**	—	**(0.9)**	—
Exchange rate change and other	**(0.3)**	(0.5)	**—**	—	**(0.3)**	(0.5)
Balance, end of year	**$ 826.2**	$ 761.8	**$ 14.6**	$ 14.3	**$ 840.8**	$ 776.1
Fair value of plan assets						
Balance, beginning of year	**$ 721.2**	$ 692.6	**$ —**	$ —	**$ 721.2**	$ 692.6
Interest income on plan assets	**27.4**	25.8	**—**	—	**27.4**	25.8
Business combinations	**—**	91.5	**—**	—	**—**	91.5
Actuarial gains or losses on plan assets	**75.1**	(26.5)	**—**	—	**75.1**	(26.5)
Administrative costs (other than asset management costs)	**(1.6)**	(1.6)	**—**	—	**(1.6)**	(1.6)
Benefits paid	**(53.8)**	(65.3)	**(1.2)**	(1.1)	**(55.0)**	(66.4)
Employer contributions	**2.3**	3.4	**1.2**	1.1	**3.5**	4.5
Asset distributed on settlement	**(3.1)**	—	**—**	—	**(3.1)**	—
Purchase of annuities (buy-out)	**(0.7)**	—	**—**	—	**(0.7)**	—
Exchange rate change and other	**(0.2)**	1.3	**—**	—	**(0.2)**	1.3
Balance, end of year	**$ 766.6**	$ 721.2	**$ —**	$ —	**$ 766.6**	$ 721.2
Plan deficit	**$ (59.6)**	$ (40.6)	**$ (14.6)**	$ (14.3)	**$ (74.2)**	$ (54.9)
Effect of the asset ceiling	**(1.4)**	(3.1)	**—**	—	**(1.4)**	(3.1)
Defined benefit liability	**$ (61.0)**	$ (43.7)	**$ (14.6)**	$ (14.3)	**$ (75.6)**	$ (58.0)

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

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

27 EMPLOYEE BENEFITS (CONTINUED)

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

	As at October 27, 2019	As at October 28, 2018
Other assets (Note 16)	**$ 6.1**	$ 5.0
Other liabilities (Note 20)	**(81.7)**	(63.0)
	$ (75.6)	$ (58.0)

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

	As at October 27, 2019	As at October 28, 2018
Quoted in an active market		
Equity securities		
Canadian and foreign equities and investment funds	**$ 122.0**	$ 99.4
Debt securities		
Government and corporate bonds and investment funds	**422.4**	399.6
Cash and cash equivalents and investment funds	**5.4**	11.3
	549.8	510.3
Not quoted in an active market		
Real estate	**3.4**	2.3
Insured annuities	**213.4**	208.6
	$ 766.6	$ 721.2

As at October 27, 2019, the plan assets did not include any shares of the Corporation ($0.4 million as at October 28, 2018).

The matching strategy for the Corporation's assets and liabilities consists in minimizing risk through the purchase of insured annuities and debt securities. For the years ended October 27, 2019 and October 28, 2018, the plans invested in buy-in insured annuities. Their fair value is considered equal to the defined benefit obligation for participants targeted by the annuities purchases, calculated using assumptions applicable at the reporting date.

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

	Pension benefits		Other defined benefit plans		Total	
	As at October 27, 2019	As at October 28, 2018	**As at October 27, 2019**	As at October 28, 2018	**As at October 27, 2019**	As at October 28, 2018
Fair value of plan assets for funded or partially funded plans	**$ 766.6**	$ 721.2	**$ —**	$ —	**$ 766.6**	$ 721.2
Defined benefit obligation of funded or partially funded plans	**797.3**	735.5	**—**	—	**797.3**	735.5
Effect of the asset ceiling	**(1.4)**	(3.1)	**—**	—	**(1.4)**	(3.1)
Funded status of funded or partially funded plans - deficit	**$ (32.1)**	$ (17.4)	**$ —**	$ —	**$ (32.1)**	$ (17.4)
Defined benefit obligation of unfunded plans	**(28.9)**	(26.3)	**(14.6)**	(14.3)	**(43.5)**	(40.6)
Total funded status - deficit	**$ (61.0)**	$ (43.7)	**$ (14.6)**	$ (14.3)	**$ (75.6)**	$ (58.0)

The Corporation expects to contribute $5.1 million to its defined benefit plans during the year ending October 25, 2020, considering that it plans to use letters of credit from its credit facilities to secure unpaid contributions for the solvency deficiency of the defined benefit plans. The actual amount paid may differ from the estimate based on the results of the actuarial valuations, investment returns, volatility in discount rates, regulatory requirements and other factors.

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

27 EMPLOYEE BENEFITS (CONTINUED)

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

	As at October 27, 2019	As at October 28, 2018
Discount rate, end of year		
Canada	**3.10 %**	3.90 %
United States	**3.30**	4.25
Weighted average rate of compensation increase		
Canada	**2.51**	2.45

As at October 27, 2019, in Canada, the growth rate of health care costs for other post-employment defined benefit plans was estimated at 6.0%, gradually decreasing over 15 years to reach 4.15% and remain at this level afterwards .

The following table presents the impact of changes in the significant assumptions on the defined benefit obligation for the year ended October 27, 2019 and has some limitations. The sensitivities of each significant assumption have been calculated without taking into account any changes in the other assumptions. Actual results could therefore lead to changes in other assumptions simultaneously. Any change in one factor may result in changes in another factor, which could amplify or reduce the impact of changes in significant assumptions.

Increase (decrease)	Defined benefit obligation
Impact of 0.1% increase in discount rate	$ (9.9)
Impact of 0.1% decrease in discount rate	10.3
Impact of 1.0% increase in growth rate of health care costs	1.3
Impact of 1.0% decrease in growth rate of health care costs	(1.1)

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

	Pension benefits		Other defined benefit plans		Total	
	October 27, 2019	October 28, 2018	**October 27, 2019**	October 28, 2018	**October 27, 2019**	October 28, 2018
Current service cost	**$ —**	$ —	**$ 0.2**	$ 0.8	**$ 0.2**	$ 0.8
Past service cost	**(0.2)**	—	**—**	—	**(0.2)**	—
Administrative costs	**1.6**	1.6	**—**	—	**1.6**	1.6
Loss (gain) on settlement	**0.3**	—	**(0.9)**	—	**(0.6)**	—
Plans cost recognized in net earnings	**1.7**	1.6	**(0.7)**	0.8	**1.0**	2.4
Interest cost on the defined benefit obligation	**29.2**	27.2	**0.5**	0.5	**29.7**	27.7
Interest income on plan assets	**(27.4)**	(25.8)	**—**	—	**(27.4)**	(25.8)
Interest on ceiling effect	**0.1**	—	**—**	—	**0.1**	—
Net interest on the defined benefit liability	**1.9**	1.4	**0.5**	0.5	**2.4**	1.9
Defined benefit plan cost	**$ 3.6**	$ 3.0	**$ (0.2)**	$ 1.3	**$ 3.4**	$ 4.3

Defined benefit plan costs recognized under Operating expenses in the Consolidated Statements of Earnings for the years ended October 27, 2019 and October 28, 2018 were $1.8 million and $1.6 million, respectively. The net defined benefit plan gains or costs recognized under Restructuring and other costs (gains) in the Consolidated Statements of Earnings for the years ended October 27, 2019 and October 28, 2018 were $(0.8) million and $0.8 million, respectively.

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

27 EMPLOYEE BENEFITS (CONTINUED)

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

	October 27, 2019	October 28, 2018
Defined contribution pension plans	**$ 15.9**	$ 18.0
State plans	**14.2**	14.1
	$ 30.1	$ 32.1

28 COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

Commitments
The Corporation is committed, under various operating leases for premises, to make payments until 2029. Minimum payments required over the coming years for these commitments are as follows:

	Less than 1 year	1 to 5 years	More than 5 years	Total
Leases for premises (1)	$ 24.5	$ 53.2	$ 16.3	$ 94.0
Contracts to acquire production equipment	1.2	2.4	—	3.6
	$ 25.7	$ 55.6	$ 16.3	$ 97.6

(1) The Corporation has entered into sublease agreements for some of its locations under operating leases, with expiry dates between 2020 and 2026. The Corporation estimates to recover an amount totaling $5.6 million.

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

a) Indemnification of third parties
Under the terms of debt agreements, the Corporation has agreed to indemnify the holders of such debt instruments against any increase in costs incurred or reduction in the amounts otherwise payable to them resulting from changes in laws and regulations. These indemnification commitments are in effect for the term of the agreements and have no limitations. Given the nature of these indemnification agreements, the Corporation is unable to estimate its maximum potential liability to third parties. Historically, the Corporation has not made any indemnification payments and, as at October 27, 2019, the Corporation had not recorded a liability associated with these indemnification agreements.

b) Business disposals
In connection with the disposal of operations or assets, the Corporation agreed to indemnify against any claims that may result from its previous activities or arise under in-force agreements at the transaction date. Given the nature of these indemnification agreements, the Corporation is unable to estimate its maximum potential liability to guaranteed parties. Historically, the Corporation has not made any significant indemnification payments and, as at October 27, 2019, the Corporation had not recorded any liability associated with these indemnification agreements.

Contingent liabilities
In the normal course of operations, the Corporation is involved in various claims and legal proceedings. Although the outcome of these pending cases as at October 27, 2019, cannot be determined with certainty, the Corporation considers that their outcome is unlikely to have a material adverse effect on its financial position and operating results, given the provisions or insurance coverage with regards to some of these claims and legal proceedings.

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

29 FINANCIAL INSTRUMENTS

Credit risk
Credit risk is the risk that the Corporation will incur losses arising from the failure of third parties to meet their contractual obligations. The Corporation is exposed to credit risk with regard to its accounts receivable and loans receivable, as well as through its normal activities involving cash. The Corporation's maximum exposure to credit risk for these elements is represented by their carrying amount in the Consolidated Statements of Financial Position. The Corporation is also exposed to credit risk with regard to its derivative financial instrument assets. However, the Corporation estimates this risk as low because it deals only with recognized financial institutions with investment-grade credit ratings. As at October 27, 2019 and October 28, 2018, the Corporation's maximum exposure to credit risk related to derivative financial instrument assets was low.

The Corporation regularly analyzes and examines the financial position of customers and applies rigorous evaluation procedures to all new customers. The Corporation establishes a specific credit limit for each customer and periodically reviews the limits for customers that are significant or considered at risk. As well, the Corporation believes that it is protected against any concentration of risk through its products, customer base and geographic diversity. The Corporation also has a credit insurance policy covering certain customers for a maximum amount of $25.0 million of aggregate losses per year. The policy contains the usual clauses and limits regarding the amounts that can be claimed by event and year of coverage.

As at October 27, 2019, no single customer represented 10.0% or more of the revenues of the Corporation, or 10.0% or more of the related accounts receivable.

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

The past due receivables are as follows:

Trade receivables	**As at October 27, 2019**	As at October 28, 2018
1 - 30 days past due	**$ 73.0**	$ 71.8
31 - 60 days past due	**15.9**	21.0
More than 60 days past due	**19.0**	12.8
	107.9	105.6
Allowance account for credit losses	**(5.2)**	(4.4)
	$ 102.7	$ 101.2

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

	October 27, 2019	October 28, 2018
Balance, beginning of year	**$ 4.4**	$ 5.3
Business combinations (Note 4)	**0.2**	2.6
Loss allowance for credit losses	**2.1**	0.6
Receivables recovered or written off	**(1.5)**	(4.1)
Balance, end of year	**$ 5.2**	$ 4.4

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

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

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

29 FINANCIAL INSTRUMENTS (CONTINUED)

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

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

The following table presents the contractual maturities of financial liabilities as at October 28, 2018:

	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	3-5 years	Over 5 years
Non-derivative financial liabilities						
Accounts payable and accrued liabilities	$ 430.7	$ 430.7	$ 430.7	$ —	$ —	$ —
Long-term debt	1,461.0	1,658.0	305.0	580.8	651.8	120.4
Other monetary liabilities, excluding contingent considerations	12.8	12.8	—	12.8	—	—
Contingent considerations	15.6	15.6	0.3	—	15.3	—
	1,920.1	2,117.1	736.0	593.6	667.1	120.4
Derivative financial instruments						
Foreign exchange forward contracts in liabilities	0.7	0.7	0.6	0.1	—	—
	$ 1,920.8	$ 2,117.8	$ 736.6	$ 593.7	$ 667.1	$ 120.4

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

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

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

To manage interest rate risk, the Corporation entered into interest rate swaps on a portion of its floating-rate indebtedness. During the year ended October 27, 2019, the Corporation entered into interest rate swaps as a hedge against risks related to future fluctuations of interest rates for an amount of US$450.0 million of certain of its terms loans until their respective maturities. The Corporation applies cash flow hedge accounting by designating these swaps as hedging instruments. Consequently, during the year ended October 27, 2019, the change in fair value of these hedging instruments, amounting to $14.8 million, was recognized in other comprehensive income.

For the year ended October 27, 2019, all other things being equal, if interest rates had increased or decreased by 50 basis points, the Corporation's net earnings would have decreased or increased by $4.3 million.

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

29 FINANCIAL INSTRUMENTS (CONTINUED)

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

To manage foreign currency risk related to exports to the United States, the Corporation enters into foreign exchange forward contracts. As at October 27, 2019, the Corporation held foreign exchange forward contracts to sell US$110.5 million (US$107.0 million as at October 28, 2018), of which US$66.5 million, US$32.0 million and US$12.0 million will be sold during fiscal 2020, fiscal 2021 and fiscal 2022, respectively. The maturities of foreign exchange forward contracts range from 1 to 36 months and their rates range from 1.2784 to 1.3460. Foreign exchange forward contracts are designated as cash flow and net investment hedging instruments as at October 27, 2019 and hedging relationships were effective and in accordance with the risk management objective and strategy throughout the year. No ineffectiveness expense was recorded in the Consolidated Statements of Earnings during the years ended October 27, 2019 and October 28, 2018.

As indicated in Note 18, the Corporation designated a portion of its term loans and credit facility denominated in U.S. dollars as hedging instruments for its net investment in foreign operations to mitigate its foreign currency risk. The designated amount varied between US$5.0 million and US$220.0 million during the year ended October 27, 2019. The effective portion of unrealized exchange losses on the translation of the U.S. dollar denominated debt designated as a hedging item was $5.5 million for the year ended October 27, 2019 and was recorded in other comprehensive income.

For the years ended October 27, 2019 and October 28, 2018, all other things being equal, a hypothetical 10.0% appreciation of the U.S. dollar against the Canadian dollar would have the following impact on net earnings and other comprehensive income:

	October 27, 2019		October 28, 2018	
	Net earnings	**Other comprehensive income**	Net earnings	Other comprehensive income
Exposure to U.S dollars	**$ 16.2**	**$ (11.5)**	$ 4.3	$ (10.9)

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

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

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

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

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

The Corporation presents a fair value hierarchy with three levels that reflects the significance of inputs used in determining the fair value assessments. The fair value of financial assets and liabilities classified in these three levels is evaluated as follows:

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

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

29 FINANCIAL INSTRUMENTS (CONTINUED)

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

	As at October 27, 2019		As at October 28, 2018	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Foreign exchange forward contracts in assets	**$ 1.8**	**$ 1.8**	$ 1.7	$ 1.7
Contingent considerations	**(10.6)**	**(10.6)**	(15.6)	(15.6)
Long-term debt	**(1,419.4)**	**(1,383.1)**	(1,472.6)	(1,461.0)
Interest rate swap contracts in liabilities	**(14.8)**	**(14.8)**	—	—
Foreign exchange forward contacts in liabilities	**(0.5)**	**(0.5)**	(0.7)	(0.7)

These financial instruments are classified in Level 2 of the fair value hierarchy, except for the contingent considerations payable related to business combinations, which are classified in Level 3. For the years ended October 27, 2019 and October 28, 2018, no financial instruments were transferred between Levels 1, 2 and 3.

Sensitivity analysis of Level 3 financial instruments
As at October 27, 2019, all other things being equal, a 10% increase in expected financial performance thresholds of acquired businesses would have resulted in a decrease in net earnings of $6.8 million. A 10% decrease in expected financial performance thresholds would have resulted in an increase in net earnings of $6.1 million.

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

	October 27, 2019	October 28, 2018
Balance, beginning of year	**$ (15.6)**	$ (0.2)
Business combinations (Note 4)	**—**	(15.3)
Change included in net earnings (1)	**5.1**	—
Exchange rate change	**(0.1)**	(0.1)
Balance, end of year	**$ (10.6)**	$ (15.6)

(1) Includes a revaluation gain of $5.5 million for the year ended October 27, 2019 recorded under Restructuring and other costs (gains) as well as an unwinding of discount expense of $0.4 million recorded in Net financial expenses.

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

30 CAPITAL MANAGEMENT

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

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

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

	October 27, 2019	October 28, 2018
Long-term debt	**$ 1,381.9**	$ 1,209.8
Current portion of long-term debt	**1.2**	251.2
Cash	**(213.7)**	(40.5)
Net debt	**$ 1,169.4**	$ 1,420.5
Adjusted operating earnings before depreciation and amortization	**$ 475.8**	$ 459.4
Net debt ratio	**2.5x**	3.1x

31 AGREEMENT WITH HEARST

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

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

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

The initial agreement also included a payment by Hearst of an amount of $31.9 million as compensation for early termination of the printing agreement. During the year ended October 28, 2018, the Corporation had received a total amount of $54.7 million relating to the termination of the previous agreement and the signing of the new one.

Deferred revenues relating to the printing services agreement, which totaled $95.0 million as at December 21, 2017, to which the termination compensation of $31.9 million was added, were recognized during the year ended October 28, 2018 as indicated in the table thereafter. The portion of deferred revenues allocated to rental income, initially amounting to $16.5 million, was recognized as revenues over the term of the Fremont lease contract during the years ended October 27, 2019 and October 28, 2018. Upon the sale of the building, the Corporation recognized on an accelerated basis as revenues the remaining balance of deferred revenues.

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

31 AGREEMENT WITH HEARST (CONTINUED)

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

	October 27, 2019	October 28, 2018
Recognition of deferred revenues		
Recognition for the year, printing services portion	**$ —**	$ 12.3
Recognition for the year, lease portion	**2.2**	1.4
Accelerated recognition	**11.7**	102.1
	13.9	115.8
Other revenues		
Transition services and building lease	**3.2**	11.9
	$ 3.2	$ 11.9
Depreciation of printing equipments sold and to be transferred		
Depreciation for the year	**—**	(2.3)
Accelerated depreciation	**—**	(22.0)
	$ —	$ (24.3)
Sale of building		
Sellling price	**99.6**	—
	$ 99.6	$ —

32 SUBSEQUENT EVENT

Disposal of paper and woven polypropylene packaging operations
On November 27, 2019, the Corporation announced that it had entered into a definitive agreement to sell its paper and woven polypropylene packaging operations to Hood Packaging Corporation for a price of US$180 million (approximately $239 million), subject to working capital adjustments.

The transaction, which is subject to regulatory approvals, is expected to close in the first quarter of fiscal 2020.

Shareholder information

HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED OCTOBER 27, 2019, OCTOBER 28, 2018, OCTOBER 29, 2017, AND OCTOBER 31 IN PREVIOUS YEARS

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

	2019	2018	2017	2016	2015
OPERATIONS					
Revenues	**$3,038.8**	$2,623.5	$2,007.2	$2,019.5	$2,002.2
Adjusted revenues[1]	**3,027.1**	2,521.4	2,007.2	2,019.5	2,002.2
Operating earnings before depreciation and amortization	**511.5**	536.8	405.4	319.5	360.1
Adjusted operating earnings before depreciation and amortization[1]	**475.8**	459.4	396.7	390.1	378.7
Operating earnings	**309.5**	367.7	302.0	212.8	258.1
Adjusted operating earnings[1]	**348.0**	356.9	310.7	301.0	290.7
Net earnings applicable to participating shares	**166.1**	213.4	211.5	146.3	262.6
Adjusted net earnings applicable to participating shares[1]	**220.2**	239.4	213.7	208.3	196.0
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	**470.6**	539.2	410.9	396.0	378.8
Cash flows from continuing operating activities	**431.6**	312.5	324.1	273.3	288.6
INVESTING AND FINANCING					
Business combinations[2]	**18.5**	1,573.3	15.9	86.3	100.4
Acquisitions of property, plant and equipment and intangible assets	**125.6**	80.0	48.8	76.7	86.9
Dividends on participating shares	**76.0**	68.6	60.9	56.2	52.3
Participating share redemptions	**n/a**	23.6	n/a	21.5	0.7
FINANCIAL CONDITION					
Total assets	**3,781.8**	3,782.2	2,136.7	2,062.2	2,098.0
Shareholders' equity	**1,691.2**	1,634.1	1,218.7	1,068.7	1,016.3
Net indebtedness[1]	**1,169.4**	1,420.5	101.2	331.4	345.5
Corporate credit rating (DBRS)	**BBB (low), stable**	BBB (low), stable	BBB (low), stable	BBB (low), stable	BBB (low), stable
Corporate credit rating (Standard & Poor's)	**BBB-, negative**	BBB-, negative	BBB-, stable	BBB-, stable	BBB-, stable
RATIOS					
Adjusted operating earnings margin before depreciation and amortization[1]	**15.7%**	18.2%	19.8%	19.3%	18.9%
Return on average equity[3]	**13.2%**	16.8%	18.7%	20.0%	21.7%
Net indebtedness ratio[1]	**2.5x**	3.1x	0.3x	0.8x	0.9x

[1] Non-IFRS financial measure. A complete definition of the non-IFRS financial measures and reconciliation to IFRS financial measures are presented in the Management's Discussion and Analysis of this annual report on page 14.

[2] Total consideration in cash or otherwise for businesses acquired through the purchase of shares or assets.

[3] Adjusted net earnings applicable to participating shares[1] divided by average beginning and ending shareholders' equity balance for the fiscal year.

SHARE INFORMATION

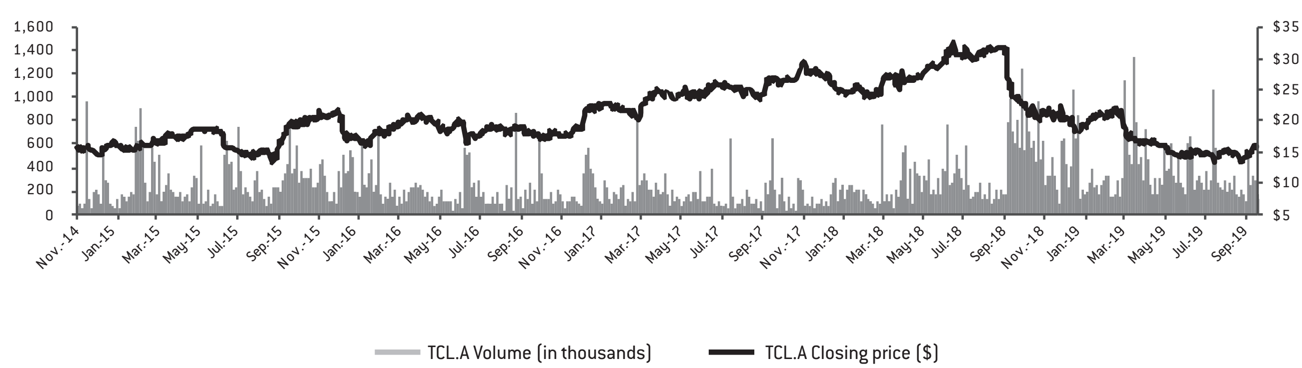
FOR THE YEARS ENDED OCTOBER 27, 2019, OCTOBER 28, 2018, OCTOBER 29, 2017, AND OCTOBER 31 IN PREVIOUS YEARS

(unaudited)

	2019	2018[1]	2017[1]	2016[1]	2015[1]
TRADING OF CLASS A SUBORDINATE VOTING SHARES (TCL.A ON THE TSX)					
Intraday high	**$22.53**	$32.89	$28.77	$21.85	$21.00
Intraday low	**$13.11**	$20.08	$17.18	$15.98	$13.18
Closing	**$15.05**	$20.85	$28.12	$17.94	$20.15
Total volume of traded shares	**69,129,666**	59,199,632	34,120,719	42,106,534	49,634,116
Average daily volume of traded shares	**284,484**	236,799	137,031	167,755	198,536
TRADING OF CLASS B SHARES (TCL.B ON THE TSX)					
Intraday high	**$22.50**	$32.79	$29.06	$22.57	$20.95
Intraday low	**$13.91**	$20.36	$17.37	$16.30	$13.56
Closing	**$16.38**	$20.74	$28.20	$17.92	$20.28
Total volume of traded shares	**281,311**	171,144	267,135	261,773	325,139
Average daily volume of traded shares	**1,465**	685	1,073	1 ,370	1 ,786
OTHER FINANCIAL DATA					
Dividends on participating shares (in millions)	**$76.0**	$68.6	$60.9	$56.2	$52.3
Dividends paid per participating share	**$0.87**	$0.83	$0.79	$0.73	$0.67
Dividend yield on participating shares	**5.8%**	4.0%	2.8%	4.1%	3.4%
Weighted average number of participating shares outstanding - basic (in millions)	**87.3**	82.5	77.3	77.6	78.1
Public float (in millions)	**74.6**	74.6	65.0	64.4	65.0
Market capitalization (in millions)	**$1,333**	$1,820	$2,182	$1,380	$1,577
Enterprise value (in millions)	**$2,502**	$3,240	$2,283	$1,712	$1,923

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

CLOSING SHARE PRICE AND VOLUME



CORPORATE INFORMATION

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Other information

Shareholders, Investors and Analysts
For further financial information or to order supplementary documentation about the Corporation, please contact the Investor Relations Department or visit the "Investors" section of TC Transcontinental's website at www.tc.tc

Media
For general information about the Corporation, please contact the Communications Department
t. 514-954-4000

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

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

Additional information
This annual report is also available in the "Investors" section of the Corporation's website. The list of Transcontinental Inc. business units is also available on the Corporation's website.

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

INVESTOR RELATIONS

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Annual Meeting of Shareholders
Transcontinental Inc.'s Annual Meeting of Shareholders will be held at 2:00 p.m. on February 27, 2020 at the Saint James Club of Montreal, 1145 Union Avenue, Montréal, Québec, Canada.

Production of annual report

Project management:
Corporate Communications Department

Graphic design & artistic direction:
Camden publicité

Photography:
In-house teams, Transcontinental Premedia

Translation:
SRI

Printing:
Transcontinental Ross-Ellis

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Printed in Canada

GOVERNANCE

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Isabelle Marcoux
Chair of the Board,
Transcontinental Inc.

H. Peter Brues [1 2]
Corporate Director

Jacynthe Côté [2 4]
Corporate Director

Yves Leduc [3]
Chief Executive Officer,
Velan Inc.

Nathalie Marcoux
Vice President, Finance,
Capinabel Inc.

Pierre Marcoux
President, Contex Group Inc.

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

Anna Martini, FCPA, FCA [1 2]
Executive Vice President and
Chief Financial Officer,
Club de hockey Canadien,
Bell Centre and evenko

François Olivier
President and Chief Executive Officer,
Transcontinental Inc.

Mario Plourde [3]
President and Chief Executive Officer,
Cascades Inc.

Jean Raymond [2]
Vice-Chairman, Managing Director
and Head of CIBC Capital Markets –
Québec, CIBC World Markets Inc.

François R. Roy [1]
Corporate Director

Annie Thabet [1 3]
Partner, Celtis Capital Inc.

As at December 12, 2019

[1] Member of the Audit Committee

[2] Member of the Human Resources and Compensation Committee

[3] Member of the Governance and Social Responsibility Committee

[4] Lead Director

Executive Management Committee of the Corporation

François Olivier
President and Chief Executive Officer

Sam Bendavid
Vice President, Corporate Development

Magali Depras
Chief Strategy Officer

Christine Desaulniers
Chief Legal Officer and
Corporate Secretary

Benoit Guilbault
Chief Information Officer

Donald LeCavalier
Chief Financial Officer

Lyne Martel
Chief Human Resources Officer

Thomas Morin
President,
TC Transcontinental Packaging

Brian Reid
President,
TC Transcontinental Printing

Other Officers of the Corporation

André Bolduc
Director, Internal Audit

Isabelle Côté
Vice President,
Financial Information and
Corporate Controller

Mathieu Hébert
Treasurer

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