

**Transcontinental Inc. announces its results for the second quarter of fiscal 2021**

**Highlights**

- Return to growth and significant increase in profitability in the Printing Sector, as well as solid performance in the Packaging and Media Sectors.
- Revenues of \$623.3 million for the quarter ended April 25, 2021; operating earnings of \$55.9 million; and net earnings attributable to shareholders of the Corporation of \$35.6 million (\$0.41 per share).
- Adjusted operating earnings before depreciation and amortization<sup>(1)</sup> of \$107.0 million for the quarter ended April 25, 2021; adjusted operating earnings<sup>(1)</sup> of \$72.6 million; and adjusted net earnings attributable to shareholders of the Corporation<sup>(1)</sup> of \$47.8 million (\$0.55 per share).
- Maintained a solid financial position with a net indebtedness ratio<sup>(1)</sup> of 1.7x.
- Favourable credit rating revision by DBRS Morningstar rating agency, from BBB (low) / negative outlook to BBB (low) / stable outlook.
- Acquired BGI Retail Inc. on June 1, 2021 and expanded the in-store marketing solutions offering to retailers.
- Winner of the Flexographic Technical Association (FTA) Innovations in Sustainability Award for the *Integritite*<sup>™</sup> post-consumer recycled film.

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

**Montréal, June 9, 2021** - Transcontinental Inc. (TSX: TCL.A TCL.B) announces its results for the second quarter of fiscal 2021, which ended April 25, 2021.

"We continued to generate very good results, with solid performance in our three sectors and a return to growth in our Printing Sector, said François Olivier, President and Chief Executive Officer of TC Transcontinental. I am very grateful to all our employees for their continued efforts and resilience in the face of the challenges brought by the pandemic.

"In our Packaging Sector, our main engine of long-term growth, customer demand remains robust. With the introduction of new products on the market, the recently signed contracts and the momentum of our sustainable packaging products that contribute to the circular economy for plastic, we are confident in our ability to fuel organic growth in revenues in the coming quarters. Excluding the unfavourable effects of the significant and rapid rise in the price of resin and the exchange rate variation, the sector posted an excellent quarter with a significant increase in operating earnings.

"Our Printing Sector had an excellent quarter with positive organic growth, a first since the beginning of the pandemic. In addition to this growth, the sector posted a 25% increase in adjusted operating earnings before depreciation and amortization. The BGI Retail acquisition, which is highly complementary, enables us to further expand our in-store marketing solutions offering to retailers and, combined with the recently announced new revenues, increases the proportion of our growth activities in the sector. While we remain cautious about the evolution of the COVID-19 pandemic, we are encouraged by its slowdown and continue to expect an increase in printing volumes in the coming quarters. Finally, our Media Sector continued to deliver excellent results and significantly increased its revenues and profitability.

"To conclude, our performance and our solid financial position give us the momentum and the capacity to confidently pursue our growth objectives."

## Financial Highlights

(in millions of dollars, except per share amounts)	Q2 - 2021	Q2 - 2020	Variation in %	6 MONTHS 2021	6 MONTHS 2020	Variation in %
<b>Revenues</b>	<b>\$623.3</b>	<b>\$625.1</b>	<b>(0.3) %</b>	<b>\$1,246.0</b>	<b>\$1,330.9</b>	<b>(6.4) %</b>
<b>Operating earnings before depreciation and amortization</b>	<b>106.5</b>	<b>97.3</b>	<b>9.5</b>	<b>207.4</b>	<b>193.0</b>	<b>7.5</b>
<b>Adjusted operating earnings before depreciation and amortization <sup>(1)</sup></b>	<b>107.0</b>	<b>104.3</b>	<b>2.6</b>	<b>212.7</b>	<b>213.3</b>	<b>(0.3)</b>
<b>Operating earnings</b>	<b>55.9</b>	<b>44.1</b>	<b>26.8</b>	<b>103.1</b>	<b>84.9</b>	<b>21.4</b>
<b>Adjusted operating earnings <sup>(1)</sup></b>	<b>72.6</b>	<b>68.5</b>	<b>6.0</b>	<b>141.2</b>	<b>140.6</b>	<b>0.4</b>
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>35.6</b>	<b>25.7</b>	<b>38.5</b>	<b>63.3</b>	<b>32.1</b>	<b>97.2</b>
<b>Net earnings attributable to shareholders of the Corporation per share</b>	<b>0.41</b>	<b>0.30</b>	<b>36.7</b>	<b>0.73</b>	<b>0.37</b>	<b>97.3</b>
<b>Adjusted net earnings attributable to shareholders of the Corporation <sup>(1)</sup></b>	<b>47.8</b>	<b>43.6</b>	<b>9.6</b>	<b>91.6</b>	<b>86.4</b>	<b>6.0</b>
<b>Adjusted net earnings attributable to shareholders of the Corporation per share <sup>(1)</sup></b>	<b>0.55</b>	<b>0.50</b>	<b>10.0</b>	<b>1.05</b>	<b>0.99</b>	<b>6.1</b>

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

Note: The above results include \$7.5 million in Canada Emergency Wage Subsidy for the second quarter of 2021 compared to \$8.2 million for the second quarter of 2020 (\$16.5 million for the first six months of 2021 compared to \$8.2 million for the first six months of 2020).

### 2021 Second Quarter Results

Revenues decreased by \$1.8 million, or 0.3%, from \$625.1 million in the second quarter of 2020 to \$623.3 million in the corresponding period of 2021. This decline is mainly due to the negative impact of the exchange rate variation on the Packaging Sector, mostly offset by organic growth in the three sectors.

Operating earnings increased by \$11.8 million, or 26.8%, from \$44.1 million in the second quarter of 2020 to \$55.9 million in the second quarter of 2021. The increase in operating earnings is explained by the reduction in restructuring and other costs as well as operational efficiency initiatives.

Adjusted operating earnings increased by \$4.1 million, or 6.0%, from \$68.5 million in the second quarter of 2020 to \$72.6 million in the second quarter of 2021. The increase is mainly explained by higher adjusted operating earnings in the Printing Sector.

In the Packaging Sector, adjusted operating earnings decreased by \$7.0 million, from \$38.2 million in the second quarter of 2020 to \$31.2 million in the second quarter of 2021. This decrease is mainly due to the unfavourable impact of the significant and rapid rise in the price of resin as well as the unfavourable exchange rate effect. Excluding these two negative items, the sector posted strong growth in operating earnings due to the solid performance of segments related to food and everyday consumer goods packaging.

In the Printing Sector, adjusted operating earnings increased by \$14.1 million, or 35.8%, from \$39.4 million in second quarter of 2020 to \$53.5 million in the second quarter of 2021. This increase is mainly attributable to the solid performance by most of the groups and cost reduction initiatives undertaken by the sector. The Canada Emergency Wage Subsidy was similar to last year and did not have a significant effect on the change in the sector's organic growth.

Net earnings attributable to shareholders of the Corporation increased by \$9.9 million, from \$25.7 million in the second quarter of 2020 to \$35.6 million in the second quarter of 2021. This increase is mostly explained by higher operating earnings and lower net financial expenses compared to the corresponding period of the prior year resulting from a reduction in net indebtedness and a lower weighted average interest rate. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.30 to \$0.41, respectively.

Adjusted net earnings attributable to shareholders of the Corporation increased by \$4.2 million, or 9.6%, from \$43.6 million in the second quarter of 2020 to \$47.8 million in the second quarter of 2021. This increase is mostly explained by higher adjusted operating earnings and lower net financial expenses resulting from a reduction in net indebtedness and a lower weighted average interest rate. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$0.50 to \$0.55, respectively.

## **2021 First Six Months Results**

Revenues decreased by \$84.9 million, or 6.4%, from \$1,330.9 million in the first six months of fiscal 2020 to \$1,246.0 million in the corresponding period of fiscal 2021. This decline is mostly explained by the sale of the paper packaging operations, which occurred at the end of the first quarter of 2020, and the decrease in revenues in the Printing Sector, which has been significantly impacted by the COVID-19 pandemic since April 2020. The impact of the unfavourable variation of the exchange rate on the Packaging Sector also contributed to the decrease in revenues. This decrease was partially offset by organic growth of \$38.3 million in the Packaging Sector resulting from the rise in the price of resin as well as the increase in volume in several segments that support the retail supply chain for food and everyday consumer products and in the Latin America group.

Operating earnings increased by \$18.2 million, or 21.4%, from \$84.9 million in the first six months of fiscal 2020 to \$103.1 million in the corresponding period of fiscal 2021. The increase in operating earnings is mostly explained by the decrease in restructuring costs and operating expenses compared to the corresponding period of the prior year.

Adjusted operating earnings increased by \$0.6 million, or 0.4%, from \$140.6 million in the first six months of fiscal 2020 to \$141.2 million in the corresponding period of fiscal 2021. This increase is mainly explained by the solid performance of the Printing Sector, partially offset by the unfavourable impact of the rapid rise in the price of resin and the unfavourable exchange rate effect in the Packaging Sector. Excluding the impacts of the resin price and the exchange rate, the Packaging Sector posted strong growth as a result of operational efficiency initiatives and the above-mentioned increase in volume.

Net earnings attributable to shareholders of the Corporation increased by \$31.2 million, or 97.2%, from \$32.1 million in the first six months of fiscal 2020 to \$63.3 million in the corresponding period of fiscal 2021. This increase is mainly explained by higher operating earnings, lower income taxes and lower net financial expenses resulting from a reduction in net indebtedness and a lower weighted average interest rate. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.37 to \$0.73, respectively.

Adjusted net earnings attributable to shareholders of the Corporation increased by \$5.2 million, or 6.0%, from \$86.4 million in the first six months of fiscal 2020 to \$91.6 million in the corresponding period in fiscal 2021. This increase is mostly due to lower net financial expenses resulting from a reduction in net indebtedness and a lower weighted average interest rate. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$0.99 to \$1.05, respectively.

For more detailed financial information, please see the *Management's Discussion and Analysis* for the second quarter ended April 25, 2021 as well as the financial statements in the "Investors" section of our website at [www.tc.tc](http://www.tc.tc).

## Outlook

In the Packaging Sector, as a result of signing new contracts and introducing new products on the market, we expect organic volume growth in fiscal 2021. The significant and rapid rise in the price of resin and the appreciation of the Canadian dollar against the US dollar should however continue to have a negative impact on the sector's profitability. Excluding the impacts of the resin price and the appreciation of the Canadian dollar, we expect to post an increase in operating earnings compared to the prior fiscal year, as a result of our operational efficiency initiatives and the anticipated organic growth in revenues.

In the Printing Sector, we expect a gradual recovery in printing volume. This anticipated recovery, combined with growth in our in-store marketing activities, gives us confidence about the outlook for revenue growth for the second half of fiscal 2021 and for fiscal 2022. In addition, excluding amounts related to the Canada Emergency Wage Subsidy, we expect operating earnings to grow in fiscal 2021 compared to fiscal 2020.

Finally, we expect to continue generating significant cash flows. This should enable us to reduce our net indebtedness, while providing us with the flexibility needed to pursue our investment strategy focused on organic growth as well as strategic and targeted acquisitions.

## Non-IFRS Financial Measures

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

In addition, in this press release, we also use non-IFRS financial measures for which a complete definition is presented below and for which a reconciliation to financial information in accordance with IFRS is presented in the section entitled "Reconciliation of Non-IFRS Financial Measures" and in Note 3, "Segmented Information", to the unaudited condensed interim consolidated financial statements for the second quarter ended April 25, 2021.

Terms Used	Definitions
Adjusted operating earnings before depreciation and amortization	Operating earnings before depreciation and amortization as well as restructuring and other costs (gains) and impairment of assets.
Adjusted operating earnings margin before depreciation and amortization	Adjusted operating earnings before depreciation and amortization divided by revenues.
Adjusted operating earnings	Operating earnings before restructuring and other costs (gains), impairment of assets, as well as amortization of intangible assets arising from business combinations.
Adjusted operating earnings margin	Adjusted operating earnings divided by revenues.
Adjusted income taxes	Income taxes before income taxes on restructuring and other costs (gains), impairment of assets, amortization of intangible assets arising from business combinations.
Adjusted net earnings attributable to shareholders of the Corporation	Net earnings attributable to shareholders of the Corporation before restructuring and other costs (gains), impairment of assets, amortization of intangible assets arising from business combinations, net of related income taxes.
Net indebtedness	Total of long-term debt, of current portion of long-term debt, of lease liabilities and of current portion of lease liabilities, less cash.
Net indebtedness ratio	Net indebtedness divided by the last 12 months' adjusted operating earnings before depreciation and amortization.

## Reconciliation of Non-IFRS Financial Measures

The financial information has been prepared in accordance with IFRS. However, financial measures used, namely adjusted operating earnings before depreciation and amortization, adjusted operating earnings, adjusted operating earnings margin, adjusted income taxes, adjusted net earnings attributable to shareholders of the Corporation, adjusted net earnings attributable to shareholders of the Corporation per share, net indebtedness and net indebtedness ratio, for which a reconciliation is presented in the following table, do

not have any standardized meaning under IFRS and could be calculated differently by other companies. We believe that many of our readers analyze the financial performance of the Corporation's activities based on these non-IFRS financial measures as such measures may allow for easier comparisons between periods. These measures should be considered as a complement to financial performance measures in accordance with IFRS. They do not substitute and are not superior to them.

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

#### Reconciliation of operating earnings - Second quarter and cumulative

(in millions of dollars)	Three months ended		Six months ended	
	April 25, 2021	April 26, 2020	April 25, 2021	April 26, 2020
<b>Operating earnings</b>	<b>\$55.9</b>	\$44.1	<b>\$103.1</b>	\$84.9
Restructuring and other costs	0.5	7.0	5.3	20.3
Amortization of intangible assets arising from business combinations <sup>(1)</sup>	16.2	17.4	32.8	35.4
<b>Adjusted operating earnings</b>	<b>\$72.6</b>	\$68.5	<b>\$141.2</b>	\$128.9
Depreciation and amortization <sup>(2)</sup>	34.4	35.8	71.5	72.7
<b>Adjusted operating earnings before depreciation and amortization</b>	<b>\$107.0</b>	\$104.3	<b>\$212.7</b>	\$201.6

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

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

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

(in millions of dollars, except per share amounts)	Three months ended			
	April 25, 2021		April 26, 2020	
	Total	Per share	Total	Per share
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>\$35.6</b>	<b>\$0.41</b>	\$25.7	\$0.30
Restructuring and other costs, net of related income taxes	(0.1)	—	4.8	0.06
Amortization of intangible assets arising from business combinations, net of related income taxes <sup>(1)</sup>	12.3	0.14	13.1	0.14
<b>Adjusted net earnings attributable to shareholders of the Corporation</b>	<b>\$47.8</b>	<b>\$0.55</b>	\$43.6	\$0.50

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

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

(in millions of dollars, except per share amounts)	Six months ended			
	April 25, 2021		April 26, 2020	
	Total	Per share	Total	Per share
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>\$63.3</b>	<b>\$0.41</b>	\$32.1	\$0.37
Restructuring and other costs, net of related income taxes	3.4	—	27.6	0.32
Amortization of intangible assets arising from business combinations, net of related income taxes <sup>(1)</sup>	24.9	0.14	26.7	0.30
<b>Adjusted net earnings attributable to shareholders of the Corporation</b>	<b>\$91.6</b>	<b>\$0.55</b>	\$86.4	\$0.99

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

## Reconciliation of net indebtedness

(in millions of dollars, except ratios)	As at April 25, 2021	As at October 25, 2020
Long-term debt	\$569.5	\$790.4
Current portion of long-term debt	327.6	229.7
Lease liabilities	122.7	132.0
Current portion of lease liabilities	22.1	22.8
Cash	(199.6)	(241.0)
<b>Net indebtedness</b>	<b>\$842.3</b>	<b>\$933.9</b>
Adjusted operating earnings before depreciation and amortization (last 12 months)	\$498.8	\$499.4
<b>Net indebtedness ratio</b>	<b>1.7 x</b>	<b>1.9 x</b>

## Dividend

The Corporation's Board of Directors declared a quarterly dividend of \$0.225 per share on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on July 20, 2021 to shareholders of record at the close of business on July 6, 2021.

## Normal Course Issuer Bid

The Corporation was authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between October 1, 2020 and September 30, 2021, or at an earlier date if the Corporation concludes or cancels the offer, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 191,320 of its Class B Shares. Under the current repurchase program, the Corporation has not repurchased any shares to date.

## Additional information

### Conference Call

Upon releasing its 2021 second quarter results, the Corporation will hold a conference call for the financial community on June 9, 2021 at 4:15 p.m. The dial-in numbers are 1 647 788-4922 or 1 877 223-4471. Media may hear the call in listen-only mode or tune in to the simultaneous audio broadcast on the Corporation's website, which will then be archived for 30 days. For media requests or interviews, please contact Nathalie St-Jean, Senior Advisor, Corporate Communications of TC Transcontinental, at 514 954-3581.

## Profile

TC Transcontinental is a leader in flexible packaging in North America, and Canada's largest printer. The Corporation is also the leading Canadian French-language educational publishing group. For over 45 years, TC Transcontinental's mission has been to create quality products and services that allow businesses to attract, reach and retain their target customers.

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

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

## Forward-looking Statements

Our public communications often contain oral or written forward-looking statements which are based on the expectations of management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. Forward-looking statements may include observations concerning the Corporation's objectives, strategy, anticipated financial results and business outlook. The Corporation's future performance may also be affected by a number of factors, many of which are beyond the Corporation's will or control. These factors include, but are not limited to, the economic situation in the world, structural changes in the industries in which the Corporation operates, the impact of digital product development and adoption on the demand for retailer-related services and other printed products, the Corporation's ability to generate organic growth in highly competitive industries, the Corporation's ability to complete acquisitions in the packaging industry and properly integrate them, the inability to maintain or improve operational efficiency and avoid disruptions that could affect its ability to meet deadlines, cybersecurity and data protection, the political and social environment as well as regulatory and legislative changes, in particular with regard to the environment and door-to-door distribution, changes in consumption habits related, in particular, to issues involving sustainable development and the use of certain products or services such as door-to-door distribution, change in consumption habits or loss of a major customer, customer consolidation, the safety and quality of its packaging products used in the food industry, the protection of its intellectual property rights, the exchange rate, availability of capital at a reasonable rate, bad debts from certain customers, import and export controls, raw materials and transportation costs, recruiting and retaining qualified personnel in certain geographic areas and industry sectors, taxation, interest rates and the impact of the COVID-19 pandemic on its operations, facilities and financial results, changes in consumption habits from consumers and changes in the operations and financial position of the Corporation's customers due to the COVID-19 pandemic and the effectiveness of plans and measures implemented in response thereto. The main risks, uncertainties and factors that could influence actual results are described in the *Management's Discussion and Analysis* for the year ended October 25, 2020 and in the latest *Annual Information Form*.

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of non-recurring or other unusual items, nor of disposals, business combinations, mergers or acquisitions which may be announced or entered into after the date of June 9, 2021. The forward-looking statements in this press release are made pursuant to the "safe harbour" provisions of applicable Canadian securities legislation. The forward-looking statements in this release are based on current expectations and information available as at June 9, 2021. Such forward-looking information may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

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For information:

### Media

Nathalie St-Jean  
Senior Advisor, Corporate Communications  
TC Transcontinental  
Telephone: 514-954-3581  
[nathalie.st-jean@tc.tc](mailto:nathalie.st-jean@tc.tc)  
[www.tc.tc](http://www.tc.tc)

### Financial Community

Yan Lapointe  
Director, Investor Relations  
TC Transcontinental  
Telephone: 514-954-3574  
[yan.lapointe@tc.tc](mailto:yan.lapointe@tc.tc)  
[www.tc.tc](http://www.tc.tc)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the second quarter ended April 25, 2021

The purpose of this *Management's Discussion and Analysis* is to help the reader better understand the business, development strategy and future outlook of Transcontinental Inc., how we manage risk, as well as to analyze the Corporation's results and financial position for the second quarter ended April 25, 2021. It should be read in conjunction with the information in the unaudited condensed interim consolidated financial statements and the accompanying notes included in this report. Additional information relating to the Corporation, including its Annual Report and *Annual Information Form*, may also be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).

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

In addition, in this *Management's Discussion and Analysis*, we also use non-IFRS financial measures for which a complete definition is presented below and for which a reconciliation to financial information in accordance with IFRS is presented in Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" and in Note 3 "Segmented Information" to the unaudited condensed interim consolidated financial statements for the second quarter ended April 25, 2021. 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. <sup>(1)</sup>
Adjusted operating earnings before depreciation and amortization	Operating earnings before depreciation and amortization as well as the accelerated recognition of deferred revenues <sup>(1)</sup> , restructuring and other costs (gains) and impairment of assets.
Adjusted operating earnings margin before depreciation and amortization	Adjusted operating earnings before depreciation and amortization divided by adjusted revenues.
Adjusted operating earnings	Operating earnings before the accelerated recognition of deferred revenues <sup>(1)</sup> , restructuring and other costs (gains), impairment of assets, as well as amortization of intangible assets arising from business combinations.
Adjusted operating earnings margin	Adjusted operating earnings divided by adjusted revenues.
Adjusted income taxes	Income taxes before income taxes on the accelerated recognition of deferred revenues <sup>(1)</sup> , restructuring and other costs (gains), impairment of assets, amortization of intangible assets arising from business combinations as well as the effect of the U.S. tax reform on deferred taxes.
Adjusted net earnings attributable to shareholders of the Corporation	Net earnings attributable to shareholders of the Corporation before the accelerated recognition of deferred revenues <sup>(1)</sup> , restructuring and other costs (gains), impairment of assets, amortization of intangible assets arising from business combinations, net of related income taxes as well as the effect of the U.S. tax reform on deferred taxes.
Net indebtedness	Total of long-term debt, of current portion of long-term debt, of lease liabilities and of current portion of lease liabilities, less cash.
Net indebtedness ratio	Net indebtedness divided by the last 12 months' adjusted operating earnings before depreciation and amortization.

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

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



## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Our public communications often contain oral or written forward-looking statements which are based on the expectations of Management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. These forward-looking statements include, among others, statements with respect to our medium-term objectives, our outlook, our strategies to achieve these objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. The words "may", "could", "should", "would", "assumptions", "strategy", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "objective", the use of the future and conditional tenses, and words and expressions of similar nature are intended to identify forward-looking statements. Such forward-looking statements may also include observations concerning the Corporation's anticipated financial results and business outlooks and the economies in which it operates. The Corporation's future performance may also be affected by a number of factors, many of which are beyond its will or control. The main risks, uncertainties and factors that could influence actual results are described in the *Management's Discussion and Analysis* for the year ended October 25, 2020 and in the latest *Annual Information Form*.

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of non-recurring or other unusual items, nor of disposals, business combinations, mergers or acquisitions which may be announced or concluded after the date of June 9, 2021.

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 June 9, 2021. 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 45 years, TC Transcontinental's mission has been to create quality products and services that allow businesses to attract, reach and retain their target customers.

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

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

## HIGHLIGHTS

Table #1:

(in millions of dollars, except per share amounts)	Q2 - 2021	Q2 - 2020	Variation in %
Revenues	\$623.3	\$625.1	(0.3) %
Operating earnings before depreciation and amortization	106.5	97.3	9.5
Adjusted operating earnings before depreciation and amortization <sup>(1)</sup>	107.0	104.3	2.6
Operating earnings	55.9	44.1	26.8
Adjusted operating earnings <sup>(1)</sup>	72.6	68.5	6.0
Net earnings attributable to shareholders of the Corporation	35.6	25.7	38.5
Net earnings attributable to shareholders of the Corporation per share	0.41	0.30	36.7
Adjusted net earnings attributable to shareholders of the Corporation <sup>(1)</sup>	47.8	43.6	9.6
Adjusted net earnings attributable to shareholders of the Corporation per share <sup>(1)</sup>	0.55	0.50	10.0

(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.

Note: The above results include \$7.5 million in Canada Emergency Wage Subsidy for the second quarter of 2021 compared to \$8.2 million for the second quarter of 2020.

- Return to growth and significant increase in profitability in the Printing Sector, as well as solid performance in the Packaging and Media sectors.
- Revenues of \$623.3 million for the quarter ended April 25, 2021; operating earnings of \$55.9 million; and net earnings attributable to shareholders of the Corporation of \$35.6 million (\$0.41 per share).
- Adjusted operating earnings before depreciation and amortization of \$107.0 million for the quarter ended April 25, 2021; adjusted operating earnings of \$72.6 million; and adjusted net earnings attributable to shareholders of the Corporation of \$47.8 million (\$0.55 per share).
- Maintained a solid financial position with a net indebtedness ratio of 1.7x.
- Favourable credit rating revision by DBRS Morningstar rating agency, from BBB (low) / negative outlook to BBB (low) / stable outlook.
- Acquired BGI Retail Inc. on June 1, 2021 and expanded the in-store marketing solutions offering to retailers.

## PREAMBLE - IMPACT OF COVID-19

As early as the beginning of March 2020, the Corporation actively deployed its company-wide crisis management and communication plan, which enabled it to ensure employee safety while ensuring service continuity for its customers. Since then, the Corporation has been closely monitoring the developments of the COVID-19 pandemic and government recommendations and is acting quickly by adapting security measures as required.

Despite the progress of the vaccination campaign, the pandemic continues to disrupt many sectors of the global economy. In the Packaging Sector, which represents approximately half of the Corporation's revenues, the vast majority of our operations support the retail supply chain for food and everyday consumer goods, a sector that continues to experience strong demand. In the Printing Sector, revenues are still negatively impacted, even though volume continues to gradually recover and the Canada Emergency Wage Subsidy program contributes to mitigating the financial impact.

## RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

(unaudited)

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

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

**Table #2:**

**Reconciliation of operating earnings - Second quarter and cumulative**

(in millions of dollars)	Three months ended		Six months ended	
	April 25, 2021	April 26, 2020	April 25, 2021	April 26, 2020
<b>Operating earnings</b>	<b>\$55.9</b>	\$44.1	<b>\$103.1</b>	\$84.9
Restructuring and other costs	0.5	7.0	5.3	20.3
Amortization of intangible assets arising from business combinations <sup>(1)</sup>	16.2	17.4	32.8	35.4
<b>Adjusted operating earnings</b>	<b>\$72.6</b>	\$68.5	<b>\$141.2</b>	\$140.6
Depreciation and amortization <sup>(2)</sup>	34.4	35.8	71.5	72.7
<b>Adjusted operating earnings before depreciation and amortization</b>	<b>\$107.0</b>	\$104.3	<b>\$212.7</b>	\$213.3

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

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

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

(in millions of dollars, except per share amounts)	Three months ended			
	April 25, 2021		April 26, 2020	
	Total	Per share	Total	Per share
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>\$35.6</b>	<b>\$0.41</b>	\$25.7	\$0.30
Restructuring and other costs, net of related income taxes	(0.1)	—	4.8	0.06
Amortization of intangible assets arising from business combinations, net of related income taxes <sup>(1)</sup>	12.3	0.14	13.1	0.14
<b>Adjusted net earnings attributable to shareholders of the Corporation</b>	<b>\$47.8</b>	<b>\$0.55</b>	\$43.6	\$0.50

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

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

(in millions of dollars, except per share amounts)	Six months ended			
	April 25, 2021		April 26, 2020	
	Total	Per share	Total	Per share
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>\$63.3</b>	<b>0.73</b>	\$32.1	\$0.37
Restructuring and other costs, net of related income taxes	3.4	0.04	27.6	0.32
Amortization of intangible assets arising from business combinations, net of related income taxes <sup>(1)</sup>	24.9	0.28	26.7	0.30
<b>Adjusted net earnings attributable to shareholders of the Corporation</b>	<b>\$91.6</b>	<b>\$1.05</b>	\$86.4	\$0.99

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

**Reconciliation of net indebtedness**

(in millions of dollars, except ratios)	As at April 25, 2021	As at October 25, 2020
Long-term debt	\$569.5	\$790.4
Current portion of long-term debt	327.6	229.7
Lease liabilities	122.7	132.0
Current portion of lease liabilities	22.1	22.8
Cash	(199.6)	(241.0)
<b>Net indebtedness</b>	<b>\$842.3</b>	<b>\$933.9</b>
Adjusted operating earnings before depreciation and amortization (last 12 months)	\$498.8	\$499.4
<b>Net indebtedness ratio</b>	<b>1.7 x</b>	<b>1.9 x</b>

## ANALYSIS OF CONSOLIDATED RESULTS - SECOND QUARTER

### Revenues

Revenues decreased by \$1.8 million, or 0.3%, from \$625.1 million in the second quarter of 2020 to \$623.3 million in the corresponding period in 2021. This decline is mainly caused by the negative impact of the exchange rate variation on the Packaging Sector, mostly mitigated by organic growth in each sector. A more detailed analysis of revenues is presented in the section "Analysis of Sector Results - Second Quarter".

### Operating and Other Expenses

Operating expenses decreased by \$4.5 million, or 0.9%, in the second quarter of 2021 compared to the corresponding period in 2020. This decrease results from measures taken by the Corporation to reduce costs and improve its operational efficiency.

Restructuring and other costs decreased by \$6.5 million, from an expense of \$7.0 million in the second quarter of 2020 to an expense of \$0.5 million in the second quarter of 2021. This favourable effect is mainly attributable to lower workforce reduction costs in the Printing Sector and lower costs related to the COVID-19 pandemic.

Depreciation and amortization decreased by \$2.6 million, from \$53.2 million in the second quarter of 2020 to \$50.6 million in the second quarter of 2021. This decline is mostly explained by the reduction in capital expenditures in the Printing Sector and a decrease in the Packaging Sector related to the exchange rate variation.

### Operating Earnings

Operating earnings increased by \$11.8 million, or 26.8%, from \$44.1 million in the second quarter of 2020 to \$55.9 million in the second quarter of 2021. The increase in operating earnings is explained by the reduction in restructuring and other costs as well as operational efficiency initiatives.

Adjusted operating earnings increased by \$4.1 million, or 6.0%, from \$68.5 million in the second quarter of 2020 to \$72.6 million in the second quarter of 2021. A more detailed analysis of adjusted operating earnings is presented in the section "Analysis of Sector Results - Second Quarter".

### Net Financial Expenses

Net financial expenses decreased by \$2.2 million, from \$11.7 million in the second quarter of 2020 to \$9.5 million in the second quarter of 2021. This decrease is attributable to a reduction in net indebtedness and a lower weighted average interest rate.

### Income Taxes

Income taxes increased by \$4.2 million, from \$6.6 million in the second quarter of 2020 to \$10.8 million in the second quarter of 2021. This increase is mainly due to higher operating earnings.

Adjusted income taxes increased by \$2.2 million, from \$13.1 million in the second quarter of 2020, for an effective tax rate of 23.1%, to \$15.3 million in the second quarter of 2021, for an effective tax rate of 24.4%. This rise in income taxes is due to the increase in the tax rate caused by the difference between the accounting and tax treatment of certain expenses, partially mitigated by the geographic distribution of adjusted operating earnings before taxes.

### Net Earnings Attributable to Shareholders of the Corporation

Net earnings attributable to shareholders of the Corporation increased by \$9.9 million, from \$25.7 million in the second quarter of 2020 to \$35.6 million in the second quarter of 2021. This increase is mostly explained by higher operating earnings and lower net financial expenses compared to the corresponding period of the prior year. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.30 to \$0.41, respectively.

Adjusted net earnings attributable to shareholders of the Corporation increased by \$4.2 million, or 9.6%, from \$43.6 million in the second quarter of 2020 to \$47.8 million in the second quarter of 2021. This increase is mostly explained by higher adjusted operating earnings and lower net financial expenses. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$0.50 to \$0.55, respectively.

## ANALYSIS OF CONSOLIDATED RESULTS - CUMULATIVE

### Revenues

Revenues decreased by \$84.9 million, or 6.4%, from \$1,330.9 million in the first six months of fiscal 2020 to \$1,246.0 million in the corresponding period of fiscal 2021. This decline is mostly coming from the Printing Sector, whose volumes have been significantly impacted by the COVID-19 pandemic since April 2020, and the sale of the paper packaging operations, which occurred at the end of the first quarter of 2020. In addition, the unfavourable impact of the variation of the exchange rate on the Packaging Sector also contributed to this decrease. A more detailed analysis of revenues is presented in the "Analysis of Sector Results - Cumulative" section.

### Operating and Other Expenses

Operating expenses decreased by \$84.3 million in the first six months of fiscal 2021, or 7.5%, compared to the corresponding period of fiscal 2020. This decrease results from lower volume in the Printing Sector, the sale of the paper packaging operations, measures taken by the Corporation to reduce costs and improve its operational efficiency and the Canada Emergency Wage Subsidy.

Restructuring and other costs decreased by \$15.0 million, from an expense of \$20.3 million in the first six months of fiscal 2020 to an expense of \$5.3 million in the corresponding period of fiscal 2021. This favourable variance is mainly attributable to the decrease in workforce reduction costs in the Printing Sector and costs related to the sale of the paper packaging operations in the first quarter of 2020.

Depreciation and amortization decreased by \$3.8 million, from \$108.1 million in the first six months of fiscal 2020 to \$104.3 million in the corresponding period in fiscal 2021. This decline is mostly explained by the reduction in capital expenditures in the Printing Sector and the impact of the disposal of the paper packaging operations in 2020.

### Operating Earnings

Operating earnings increased by \$18.2 million, or 21.4%, from \$84.9 million in the first six months of fiscal 2020 to \$103.1 million in the corresponding period of fiscal 2021. The increase in operating earnings is mostly explained by the decrease in restructuring costs and operating expenses compared to the first six months of the prior year.

Adjusted operating earnings increased by \$0.6 million, or 0.4%, from \$140.6 million in the first six months of fiscal 2020 to \$141.2 million in the corresponding period of fiscal 2021. A more detailed analysis of adjusted operating earnings is presented in the "Analysis of Sector Results - Cumulative" section.

### Net Financial Expenses

Net financial expenses decreased by \$5.4 million, from \$25.7 million in the first six months of fiscal 2020 to \$20.3 million in the corresponding period of fiscal 2021. This change is explained by a reduction in net indebtedness during the year and a lower weighted average interest rate.

### Income Taxes

Income taxes decreased by \$7.5 million, from \$26.9 million in the first six months of fiscal 2020 to \$19.4 million in the corresponding period in fiscal 2021. This decrease is mainly due to the income tax expense recorded on the taxable income (on a tax basis) generated by the sale of the paper packaging operations in January 2020 for an amount of \$11.7 million.

Adjusted income taxes remained relatively stable, going from \$28.3 million in the first six months of fiscal 2020, for an effective tax rate of 24.7%, to \$29.2 million in the corresponding period of fiscal 2021, for an effective tax rate of 24.2%. The slight decrease in the adjusted income tax rate is attributable to the geographic distribution of adjusted operating earnings before income taxes.

### Net Earnings Attributable to Shareholders of the Corporation

Net earnings attributable to shareholders of the Corporation increased by \$31.2 million, or 97.2%, from \$32.1 million in the first six months of fiscal 2020 to \$63.3 million in the corresponding period of fiscal 2021. This increase is mainly explained by higher operating earnings and lower income taxes and net financial expenses. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.37 to \$0.73, respectively, due to the above-mentioned items.

Adjusted net earnings attributable to shareholders of the Corporation increased by \$5.2 million, or 6.0%, from \$86.4 million in the first six months of fiscal 2020 to \$91.6 million in the corresponding period in fiscal 2021, mostly as a result of lower net financial expenses. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$0.99 to \$1.05, respectively.

## ANALYSIS OF SECTOR RESULTS - SECOND QUARTER

(unaudited)

Table #3:

(in millions of dollars)	Packaging	Printing	Other	Consolidated results
<b>Revenues - Second quarter of 2020</b>	<b>\$354.3</b>	<b>\$265.0</b>	<b>\$5.8</b>	<b>\$625.1</b>
Acquisitions/disposals and closures	—	—	—	—
Existing operations				
Exchange rate effect	(23.4)	(0.8)	—	(24.2)
Organic growth (decline)	17.2	4.1	1.1	22.4
<b>Revenues - Second quarter of 2021</b>	<b>\$348.1</b>	<b>\$268.3</b>	<b>\$6.9</b>	<b>\$623.3</b>
<b>Adjusted operating earnings<sup>(1)</sup> - Second quarter of 2020</b>	<b>\$38.2</b>	<b>\$39.4</b>	<b>\$(9.1)</b>	<b>\$68.5</b>
Acquisitions/disposals and closures	—	—	—	—
Existing operations				
Exchange rate effect	(3.1)	—	(0.2)	(3.3)
Stock-based compensation	—	—	(1.5)	(1.5)
Organic growth (decline)	(3.9)	14.1	(1.3)	8.9
<b>Adjusted operating earnings<sup>(1)</sup> - Second quarter of 2021</b>	<b>\$31.2</b>	<b>\$53.5</b>	<b>\$(12.1)</b>	<b>\$72.6</b>

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

### Packaging Sector

Packaging Sector revenues decreased by \$6.2 million, or 1.7%, from \$354.3 million in the second quarter of 2020 to \$348.1 million in the second quarter of 2021. This decrease is mostly due to the negative exchange rate effect. The organic growth of \$17.2 million results mainly from the rise in the price of resin.

Adjusted operating earnings decreased by \$7.0 million, or 18.3%, from \$38.2 million in the second quarter of 2020 to \$31.2 million in the second quarter of 2021. This decrease is mainly due to the unfavourable exchange rate effect as well as the unfavourable impact of the significant and rapid rise in the price of resin. Excluding these two negative items, the sector posted strong growth in operating earnings due to the solid performance of segments related to food and everyday consumer goods packaging products. As a result, the sector's adjusted operating earnings margin went from 10.8% in the second quarter of 2020 to 9.0% in the second quarter of 2021. Excluding the unfavourable resin and exchange rate effects, the margin would have been stable.

### Printing Sector

Printing Sector revenues increased by \$3.3 million, or 1.2%, from \$265.0 million in the second quarter of 2020 to \$268.3 million in the second quarter of 2021. The sector was affected by the pandemic throughout the quarter, compared to only one month in 2020. Despite these circumstances, the impact of the pandemic on this quarter is more or less similar to the corresponding period a year ago. This is reflected by the organic growth of \$4.1 million in this sector.

Adjusted operating earnings increased by \$14.1 million, or 35.8%, from \$39.4 million in the second quarter of 2020 to \$53.5 million in the second quarter of 2021. This increase is mainly attributable to the solid performance by most of the groups and cost reduction initiatives undertaken by the sector. The Canada Emergency Wage Subsidy was similar to last year and did not have a significant effect on the change in the sector's organic growth. The sector's adjusted operating earnings margin increased, from 14.9% in the second quarter of 2020 to 19.9% in the second quarter of 2021. Excluding the Canada Emergency Wage Subsidy, margins would have been 12.4% in the second quarter of 2020 and 17.3% in the second quarter of 2021.

### Other

Revenues increased by \$1.1 million, from \$5.8 million in the second quarter of 2020 to \$6.9 million in the second quarter of 2021. This increase is mostly attributable to higher volume in the Media Sector.

Adjusted operating earnings decreased by \$3.0 million or 33.0%, from \$-9.1 million in the second quarter of 2020 to \$-12.1 million in the second quarter of 2021, mainly due to the unfavourable change in stock-based compensation expense. This change was partially mitigated by the increase in adjusted operating earnings in the Media Sector as a result of higher volume.

## ANALYSIS OF SECTOR RESULTS - CUMULATIVE

(unaudited)

Table #4:

(in millions of dollars)	Packaging	Printing	Other	Consolidated results
<b>Revenues - Six months ended April 26, 2020</b>	<b>\$725.8</b>	<b>\$590.8</b>	<b>\$14.3</b>	<b>\$1,330.9</b>
Acquisitions/disposals and closures	(52.4)	6.5	—	(45.9)
Existing operations				
Exchange rate effect	(26.4)	(0.7)	—	(27.1)
Organic growth (decline)	38.3	(53.9)	3.7	(11.9)
<b>Revenues - Six months ended April 25, 2021</b>	<b>\$685.3</b>	<b>\$542.7</b>	<b>\$18.0</b>	<b>\$1,246.0</b>
<b>Adjusted operating earnings<sup>(1)</sup> - Six months ended April 26, 2020</b>	<b>\$65.8</b>	<b>\$91.2</b>	<b>\$(16.4)</b>	<b>\$140.6</b>
Acquisitions/disposals and closures	(0.7)	(0.2)	—	(0.9)
Existing operations				
Exchange rate effect	(3.4)	0.2	(0.2)	(3.4)
Stock-based compensation	—	—	(5.0)	(5.0)
Organic growth (decline)	0.2	8.6	1.1	9.9
<b>Adjusted operating earnings<sup>(1)</sup> - Six months ended April 25, 2021</b>	<b>\$61.9</b>	<b>\$99.8</b>	<b>\$(20.5)</b>	<b>\$141.2</b>

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

### Packaging Sector

Packaging Sector revenues decreased by \$40.5 million, from \$725.8 million in the first six months of fiscal 2020 to \$685.3 million in the corresponding period of fiscal 2021. This decrease is due to the sale of the paper packaging operations in January 2020, which had an unfavourable impact of \$52.4 million, and the unfavourable exchange rate effect of \$26.4 million. The organic growth of \$38.3 million results from the rise in the price of resin as well as the increase in volume in several segments that support the retail supply chain for food and everyday consumer products and in the Latin America group.

Adjusted operating earnings decreased by \$3.9 million, from \$65.8 million in the first six months of fiscal 2020 to \$61.9 million in the corresponding period of fiscal 2021. This decrease is mainly due to the unfavourable effect of the rapid rise in the price of resin and the unfavourable exchange rate effect. Besides these two items, and due to operational efficiency initiatives and the above-mentioned increase in volume, the sector posted strong organic growth. The sector's adjusted operating earnings margin remained relatively stable, from 9.1% in the first six months of fiscal 2020 to 9.0% in the corresponding period of 2021. Excluding the unfavourable resin and exchange rate effects, the margin would have been higher compared to the prior year.

### Printing Sector

Printing Sector revenues decreased by \$48.1 million, from \$590.8 million in the first six months of fiscal 2020 to \$542.7 million in the corresponding period of fiscal 2021. The organic decline of \$53.9 million is mostly explained by a decrease in volume caused by the impact of the COVID-19 pandemic, which has affected most of the segments since April 2020. The prior acquisitions of Holland & Crosby Limited and Artisan Complete Limited partially mitigated this decrease in revenues.

Adjusted operating earnings increased by \$8.6 million, from \$91.2 million in the first six months of fiscal 2020 to \$99.8 million in the corresponding period of fiscal 2021. This increase is mainly explained by the fact that the Canada Emergency Wage Subsidy and operational efficiency initiatives more than mitigated the impact of the COVID-19 pandemic, which significantly reduced activities. The sector's adjusted operating earnings margin went from 15.4% in the first six months of fiscal 2020 to 18.4% in the corresponding period of fiscal 2021 as a result of the above-mentioned items. Excluding the Canada Emergency Wage Subsidy, margins would have been 14.3% in the first six months of fiscal 2020 and 15.5% in the corresponding period in 2021.



## Other

Revenues increased by \$3.7 million, from \$14.3 million in the first six months of fiscal 2020 to \$18.0 million in the corresponding period of fiscal 2021. This increase is attributable to higher volume in the Media Sector.

Adjusted operating earnings decreased by \$4.1 million, from \$-16.4 million in the first six months of fiscal 2020 to \$-20.5 million in the corresponding period of fiscal 2021. This decrease is mainly due to the stock-based compensation expense and the decrease in the Canada Emergency Wage Subsidy. The stronger Media Sector performance partially mitigated this decrease.

## SUMMARY OF QUARTERLY RESULTS

(unaudited)

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

**Table #5:**

(in millions of dollars, except per share amounts)	2021		2020		2019			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	<b>\$623.3</b>	\$622.7	\$655.7	\$587.4	<b>\$625.1</b>	\$705.8	\$790.9	\$728.9
Adjusted revenues <sup>(1)</sup>	<b>623.3</b>	622.7	655.7	587.4	<b>625.1</b>	705.8	779.2	728.9
Operating earnings before depreciation and amortization <sup>(2)</sup>	<b>106.5</b>	100.9	134.9	130.1	<b>97.3</b>	95.7	206.9	107.2
Adjusted operating earnings before depreciation and amortization <sup>(1)(2)</sup>	<b>107.0</b>	105.7	146.8	139.3	<b>104.3</b>	109.0	139.1	112.9
Adjusted operating earnings margin before depreciation and amortization <sup>(1)(2)</sup>	<b>17.2 %</b>	17.0 %	22.4 %	23.7 %	<b>16.7 %</b>	15.4 %	17.9 %	15.5 %
Operating earnings <sup>(2)</sup>	<b>\$55.9</b>	\$47.2	\$81.2	\$75.3	<b>\$44.1</b>	\$40.8	\$156.2	\$56.6
Adjusted operating earnings <sup>(1)(2)</sup>	<b>72.6</b>	68.6	110.1	102.1	<b>68.5</b>	72.1	106.8	80.9
Adjusted operating earnings margin <sup>(1)(2)</sup>	<b>11.6 %</b>	11.0 %	16.8 %	17.4 %	<b>11.0 %</b>	10.2 %	13.7 %	11.1 %
Net earnings attributable to shareholders of the Corporation <sup>(2)</sup>	<b>\$35.6</b>	\$27.7	\$51.3	\$48.3	<b>\$25.7</b>	\$6.4	\$112.3	\$3.4
Net earnings attributable to shareholders of the Corporation per share <sup>(2)</sup>	<b>0.41</b>	0.32	0.59	0.56	<b>0.30</b>	0.07	1.28	0.04
Adjusted net earnings attributable to shareholders of the Corporation <sup>(1)(2)</sup>	<b>47.8</b>	43.8	72.4	68.2	<b>43.6</b>	42.8	69.9	52.2
Adjusted net earnings attributable to shareholders of the Corporation per share <sup>(1)(2)</sup>	<b>0.55</b>	0.50	0.83	0.78	<b>0.50</b>	0.49	0.80	0.60
% of fiscal year	<b>— %</b>	— %	32 %	30 %	<b>19 %</b>	19 %	31 %	24 %

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

(2) The results reflect the impact of the adoption of the new IFRS 16 accounting standard, which applies to the Corporation for its fiscal year beginning October 28, 2019. The Corporation adopted the new standard using the modified retrospective transition method, whereby the cumulative impact of initial application has been reflected in opening retained earnings as at October 28, 2019, without restatement of comparative figures. Consequently, prior quarters to this date have not been modified.

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 price of raw materials, including resin and paper.

Excluding the impact of the above-mentioned items, we can note a slight organic growth in revenues and an increase in profitability.

## FINANCIAL POSITION, LIQUIDITY AND CAPITAL STRUCTURE

(unaudited)

Table #6:

(in millions of dollars)	Three months ended	
	April 25, 2021	April 26, 2020
<b>Operating activities</b>		
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	\$106.1	\$105.9
Changes in non-cash operating items	(9.2)	20.3
Income taxes paid	(13.6)	(11.5)
Cash flows from operating activities	\$83.3	\$114.7
<b>Investing activities</b>		
Acquisitions of property, plant and equipment	(\$22.4)	(\$27.1)
Disposals of property, plant and equipment	0.2	0.1
Increase in intangible assets	(5.2)	(4.9)
Cash flows from investing activities	(\$27.4)	(\$31.9)
<b>Financing activities</b>		
Reimbursement of long-term debt	(\$0.1)	(\$366.9)
Net decrease in credit facilities	(3.4)	—
Financial expenses paid on long-term debt	(9.1)	(11.0)
Repayment of principal on lease liabilities	(6.0)	(5.4)
Interest paid on lease liabilities	(0.8)	(0.8)
Dividends	(19.6)	(19.5)
Cash flows from financing activities	(\$39.0)	(\$403.6)
Effect of exchange rate changes on cash denominated in foreign currencies	\$0.7	\$0.8
Net change in cash	\$17.6	(\$320.0)

Financial position	As at April 25, 2021	As at October 25, 2020
Net indebtedness <sup>(1)</sup>	\$842.3	\$933.9
Net indebtedness ratio <sup>(1)</sup>	1.7 x	1.9 x
Credit rating		
DBRS	BBB (low)	BBB (low)
Outlook <sup>(2)</sup>	Negative	Negative
Standard and Poor's	BBB-	BBB-
Outlook <sup>(3)</sup>	Stable	Negative
<b>Consolidated Statements of Financial Position</b>		
	As at April 25, 2021	As at October 25, 2020
Current assets	\$950.9	\$1,024.7
Current liabilities	733.3	677.5
Total assets	3,386.9	3,598.4
Total liabilities	1,652.7	1,859.8

(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.

(2) On May 3, 2021, the DBRS Limited rating agency (DBRS Morningstar) revised the Corporation's credit rating outlook from negative to stable.

(3) On February 9, 2021, the Standard & Poor's rating agency (S&P Global Ratings) revised the Corporation's credit rating outlook from negative to stable.

## ANALYSIS OF FINANCIAL POSITION - SECOND QUARTER

### Cash Flows from Operating Activities

Cash flows from operating activities decreased by \$31.4 million, from \$114.7 million in the second quarter of 2020 to \$83.3 million in the second quarter of 2021. This decrease is mostly due to the change in working capital, which is largely explained by higher inventory. In addition, COVID-19 disruptions had caused a decrease in accounts receivable in the second quarter of 2020, which explains the significant change in the second quarter of 2021.

### Cash Flows from Investing Activities

Cash flows from investing activities went from a cash outflow of \$31.9 million in the second quarter of 2020 to a cash outflow of \$27.4 million in the second quarter of 2021. This change is mostly explained by a decrease in capital expenditures, mainly in the Printing Sector, due to significant investments in 2020 related to book printing.

### Cash Flows from Financing Activities

Cash flows from financing activities went from a cash outflow of \$403.6 million in the second quarter of 2020 to a cash outflow of \$39.0 million in the second quarter of 2021. This variation is mostly explained by the repayment, in 2020, of US\$50.0 million (\$66.4 million) on the tranche A of the U.S. dollar term loans and the repayment in full of tranches G and H of the Canadian dollar term loans, each amounting to \$150.0 million, as well as a decrease in financial expenses.

### Debt Instruments

As at April 25, 2021, no amount had been drawn on the credit facilities and the availability under the credit facilities was \$431.2 million. Net indebtedness decreased from \$933.9 million as at October 25, 2020 to \$842.3 million as at April 25, 2021. This decrease is mainly explained by cash flows from operating activities. Therefore, our net indebtedness ratio stood at 1.7x as at April 25, 2021 compared to 1.9x as at October 25, 2020.

On October 30, 2020, the Corporation repaid the balance of \$83.2 million (US\$62.5 million) of tranche A of the U.S. dollar term loans.

On February 9, 2021, the Standard & Poor's rating agency (S&P Global Ratings) revised the Corporation's credit rating from BBB- / negative outlook to BBB- / stable outlook.

On March 31, 2021, the Corporation extended the maturity of its credit facility, with an available amount of US\$25.0 million (\$31.2 million), by one additional year, until March 2022, on the same terms.

On April 30, 2021, the Corporation repaid the balance of US\$112.5 million (\$138.1 million) of tranche B of the U.S. dollar term loans maturing on that date.

On May 3, 2021, the DBRS Limited rating agency (DBRS Morningstar) revised the Corporation's credit rating from BBB- / negative outlook to BBB- / stable outlook.

On June 4, 2021, the Corporation secured a new financing amounting to US\$120 million ((\$145.0 million). The amount borrowed bears interest at the U.S. base rate or LIBOR plus an applicable margin of 0.85% to 1.85% and is repayable in 7 years.

### Share Capital

Table #7:

Shares Issued and Outstanding	As at April 25, 2021	As at May 31 2021
Class A (Subordinate Voting Shares)	73,109,144	73,109,144
Class B (Multiple Voting Shares)	13,916,026	13,916,026
<b>Total Class A and Class B</b>	<b>87,025,170</b>	<b>87,025,170</b>

In September 2020, the Corporation was authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between October 1, 2020 and September 30, 2021, or at an earlier date if the Corporation concludes or cancels the offer, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 191,320 of its Class B Shares, representing

approximately 1.37% of the 73,049,344 Class A Subordinated Voting Shares issued and outstanding and of the 13,975,826 Class B Shares issued and outstanding as at September 18, 2020.

No shares were repurchased during the quarter ended April 25, 2021. The Corporation has not repurchased any shares since February 2020.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

During the second quarter ended April 25, 2021, no change that has materially affected or is reasonably likely to affect the ICFR was brought to the attention of Management, including the President and Chief Executive Officer and the Chief Financial Officer of the Corporation.

## **SUBSEQUENT EVENTS**

### **REIMBURSEMENT OF DEBT**

On April 30, 2021, the Corporation repaid the balance of US\$112.5 million (\$138.1 million) of tranche B of the U.S. dollar term loans maturing on that date.

### **NEW FINANCING**

On June 4, 2021, the Corporation secured a new financing amounting to US\$120.0 million (\$145.0 million). The amount borrowed bears interest at the U.S. base rate or LIBOR plus an applicable margin of 0.85% to 1.85% and is repayable in 7 years.

## **BUSINESS COMBINATION**

On June 1, 2021, the Corporation acquired all the shares of BGI Retail Inc. ("BGI"), a full service in-store design and solution partner for retailers and global brands located in Paris, Ontario, for a purchase price of \$50.0 million, subject to adjustments, in addition to a maximum cash contingent consideration of \$22.5 million to be paid if predetermined financial performance thresholds are met. The Corporation will determine the fair value of BGI's assets acquired and liabilities assumed during the fiscal year. This acquisition supports the growth objective for the Corporation's in-store marketing products vertical.

## **OUTLOOK**

In the Packaging Sector, as a result of signing new contracts and introducing new products on the market, we expect organic volume growth in fiscal 2021. The significant and rapid rise in the price of resin and the appreciation of the Canadian dollar against the US dollar should however continue to have a negative impact of the sector's profitability. Excluding the impacts of the resin price and the appreciation of the Canadian dollar, we expect to post an increase in operating earnings compared to the prior fiscal year, as a result of our operational efficiency initiatives and the anticipated organic growth in revenues.

In the Printing Sector, we expect a gradual recovery in printing volume. This anticipated recovery, combined with growth in our in-store marketing activities, gives us confidence about the outlook for revenue growth for the second half of fiscal 2021 and for fiscal 2022. In addition, excluding amounts related to the Canada Emergency Wage Subsidy, we expect operating earnings to grow in fiscal 2021 compared to fiscal 2020.

Finally, we expect to continue generating significant cash flows. This should enable us to reduce our net indebtedness, while providing us with the flexibility needed to pursue our investment strategy focused on organic growth as well as strategic and targeted acquisitions.

On behalf of Management,

*(s) Donald LeCavalier*  
Chief Financial Officer

June 9, 2021

## CONSOLIDATED STATEMENTS OF EARNINGS

Unaudited

(in millions of Canadian dollars, unless otherwise indicated and per share data)	Notes	Three months ended		Six months ended	
		April 25, 2021	April 26, 2020	April 25, 2021	April 26, 2020
Revenues	3	\$ 623.3	\$ 625.1	\$ 1,246.0	\$ 1,330.9
Operating expenses	4	516.3	520.8	1,033.3	1,117.6
Restructuring and other costs	5	0.5	7.0	5.3	20.3
Operating earnings before depreciation and amortization		106.5	97.3	207.4	193.0
Depreciation and amortization	6	50.6	53.2	104.3	108.1
Operating earnings		55.9	44.1	103.1	84.9
Net financial expenses	7	9.5	11.7	20.3	25.7
Earnings before income taxes		46.4	32.4	82.8	59.2
Income taxes	8	10.8	6.6	19.4	26.9
<b>Net earnings</b>		<b>35.6</b>	<b>25.8</b>	<b>63.4</b>	<b>32.3</b>
Non-controlling interest		—	0.1	0.1	0.2
<b>Net earnings attributable to the shareholders of the Corporation</b>		<b>\$ 35.6</b>	<b>\$ 25.7</b>	<b>\$ 63.3</b>	<b>\$ 32.1</b>
Net earnings per share - basic and diluted		\$ 0.41	\$ 0.30	\$ 0.73	\$ 0.37
Weighted average number of shares outstanding - basic and diluted (in millions)	12	87.0	87.0	87.0	87.2

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended		Six months ended	
		April 25, 2021	April 26, 2020	April 25, 2021	April 26, 2020
<b>Net earnings</b>		\$ 35.6	\$ 25.8	\$ 63.4	\$ 32.3
<b>Other comprehensive income (loss)</b>					
<b>Items that will be reclassified to net earnings</b>					
<b>Net change related to cash flow hedges</b>					
Net change in the fair value of designated derivatives - foreign exchange risk		1.1	(10.6)	5.4	(11.1)
Net change in the fair value of designated derivatives - interest rate risk	9	2.7	(15.8)	2.3	(15.6)
Reclassification of the net change in the fair value of designated derivatives recognized in net earnings during the period		3.0	1.0	6.2	1.8
Related income taxes		1.8	(6.8)	3.7	(6.6)
	14	5.0	(18.6)	10.2	(18.3)
<b>Cumulative translation differences</b>					
Net unrealized exchange gains (losses) on the translation of the financial statements of foreign operations		(33.3)	127.5	(82.1)	135.1
Net gains (losses) on hedge of the net investment in foreign operations	9	15.3	(67.0)	38.8	(66.3)
Related income taxes		1.9	(1.9)	4.9	(1.7)
	14	(19.9)	62.4	(48.2)	70.5
<b>Items that will not be reclassified to net earnings</b>					
<b>Changes related to defined benefit plans</b>					
Actuarial gains on defined benefit plans		21.9	11.5	12.2	15.5
Related income taxes		5.6	3.1	2.8	4.1
	14	16.3	8.4	9.4	11.4
<b>Other comprehensive income (loss)</b>	14	1.4	52.2	(28.6)	63.6
<b>Comprehensive income</b>		\$ 37.0	\$ 78.0	\$ 34.8	\$ 95.9

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

(in millions of Canadian dollars)	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total	Non- controlling interest	Total equity
Balance as at October 25, 2020		\$ 640.0	\$ 0.9	\$ 1,107.2	\$ (14.8)	\$ 1,733.3	\$ 5.3	\$ 1,738.6
<b>Net earnings</b>		—	—	63.3	—	63.3	0.1	63.4
<b>Other comprehensive loss</b>		—	—	—	(28.6)	(28.6)	—	(28.6)
<b>Shareholders' contributions and distributions to shareholders</b>								
Dividends	11	—	—	(39.2)	—	(39.2)	—	(39.2)
<b>Balance as at April 25, 2021</b>		<b>\$ 640.0</b>	<b>\$ 0.9</b>	<b>\$ 1,131.3</b>	<b>\$ (43.4)</b>	<b>\$ 1,728.8</b>	<b>\$ 5.4</b>	<b>\$ 1,734.2</b>
Balance as at October 27, 2019		\$ 641.9	\$ 1.1	\$ 1,069.9	\$ (25.9)	\$ 1,687.0	\$ 4.2	\$ 1,691.2
Impact of the transition to IFRS 16		—	—	(13.2)	—	(13.2)	—	(13.2)
Balance as at October 27, 2019 - adjusted		641.9	1.1	1,056.7	(25.9)	1,673.8	4.2	1,678.0
<b>Net earnings</b>		—	—	32.1	—	32.1	0.2	32.3
<b>Other comprehensive income</b>		—	—	—	63.6	63.6	—	63.6
<b>Shareholders' contributions and distributions to shareholders</b>								
Share redemptions	11	(3.8)	—	(3.3)	—	(7.1)	—	(7.1)
Exercise of stock options		1.9	(0.2)	—	—	1.7	—	1.7
Dividends	11	—	—	(38.7)	—	(38.7)	—	(38.7)
<b>Balance as at April 26, 2020</b>		<b>\$ 640.0</b>	<b>\$ 0.9</b>	<b>\$ 1,046.8</b>	<b>\$ 37.7</b>	<b>\$ 1,725.4</b>	<b>\$ 4.4</b>	<b>\$ 1,729.8</b>

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

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

(in millions of Canadian dollars)	Notes	As at April 25, 2021	As at October 25, 2020
<b>Current assets</b>			
Cash		\$ 199.6	\$ 241.0
Accounts receivable		420.5	461.2
Income taxes receivable		17.3	13.4
Inventories		288.3	288.8
Prepaid expenses and other current assets		25.2	20.3
		<b>950.9</b>	<b>1,024.7</b>
<b>Property, plant and equipment</b>			
		<b>686.6</b>	<b>712.4</b>
<b>Right-of-use assets</b>			
		<b>125.1</b>	<b>134.6</b>
<b>Intangible assets</b>			
		<b>513.6</b>	<b>568.5</b>
<b>Goodwill</b>		<b>1,062.4</b>	<b>1,098.8</b>
<b>Deferred taxes</b>		<b>16.4</b>	<b>24.2</b>
<b>Other assets</b>		<b>31.9</b>	<b>35.2</b>
		<b>\$ 3,386.9</b>	<b>\$ 3,598.4</b>
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 352.9	\$ 399.7
Provisions		2.9	7.9
Income taxes payable		18.5	8.4
Deferred revenues and deposits		9.3	9.0
Current portion of long-term debt	9	327.6	229.7
Current portion of lease liabilities		22.1	22.8
		<b>733.3</b>	<b>677.5</b>
<b>Long-term debt</b>	9	<b>569.5</b>	<b>790.4</b>
<b>Lease liabilities</b>		<b>122.7</b>	<b>132.0</b>
<b>Deferred taxes</b>		<b>124.8</b>	<b>133.9</b>
<b>Provisions</b>		<b>0.6</b>	<b>0.3</b>
<b>Other liabilities</b>	10	<b>101.8</b>	<b>125.7</b>
		<b>1,652.7</b>	<b>1,859.8</b>
<b>Equity</b>			
Share capital	11	<b>640.0</b>	640.0
Contributed surplus		<b>0.9</b>	0.9
Retained earnings		<b>1,131.3</b>	1,107.2
Accumulated other comprehensive loss	14	<b>(43.4)</b>	(14.8)
Attributable to the shareholders of the Corporation		<b>1,728.8</b>	1,733.3
Non-controlling interest		<b>5.4</b>	5.3
		<b>1,734.2</b>	1,738.6
		<b>\$ 3,386.9</b>	<b>\$ 3,598.4</b>

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



## CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended		Six months ended	
		April 25, 2021	April 26, 2020	April 25, 2021	April 26, 2020
<b>Operating activities</b>					
Net earnings		\$ 35.6	\$ 25.8	\$ 63.4	\$ 32.3
Adjustments to reconcile net earnings and cash flows from operating activities:					
Depreciation and amortization	6	55.5	58.5	114.2	118.8
Financial expenses on long-term debt and lease liabilities	7	9.3	12.3	18.8	26.7
Net losses on disposal of assets		0.3	0.4	0.6	1.9
Net losses on business disposals		—	0.1	—	4.4
Income taxes	8	10.8	6.6	19.4	26.9
Net foreign exchange differences and other		(5.4)	2.2	(4.0)	3.5
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		106.1	105.9	212.4	214.5
Changes in non-cash operating items		(9.2)	20.3	(21.7)	(8.3)
Income taxes paid		(13.6)	(11.5)	(22.7)	(27.8)
Cash flows from operating activities		83.3	114.7	168.0	178.4
<b>Investing activities</b>					
Business combinations, net of acquired cash		—	—	—	(7.7)
Business disposals		—	—	—	232.1
Acquisitions of property, plant and equipment		(22.4)	(27.1)	(49.7)	(50.2)
Disposals of property, plant and equipment		0.2	0.1	0.3	0.2
Increase in intangible assets		(5.2)	(4.9)	(9.7)	(9.3)
Cash flows from investing activities		(27.4)	(31.9)	(59.1)	165.1
<b>Financing activities</b>					
Reimbursement of long-term debt	9	(0.1)	(366.9)	(83.5)	(375.2)
Net decrease in credit facilities	9	(3.4)	—	—	—
Financial expenses paid on long-term debt	7 & 9	(9.1)	(11.0)	(16.7)	(24.2)
Repayment of principal on lease liabilities		(6.0)	(5.4)	(11.4)	(10.6)
Interest paid on lease liabilities		(0.8)	(0.8)	(1.7)	(1.4)
Exercise of stock options	13	—	—	—	1.7
Dividends	11	(19.6)	(19.5)	(39.2)	(38.7)
Share redemptions	11	—	—	—	(7.1)
Cash flows from financing activities		(39.0)	(403.6)	(152.5)	(455.5)
Effect of exchange rate changes on cash denominated in foreign currencies		0.7	0.8	2.2	2.9
Net change in cash		17.6	(320.0)	(41.4)	(109.1)
Cash at beginning of period		182.0	424.6	241.0	213.7
Cash at end of period		\$ 199.6	\$ 104.6	\$ 199.6	\$ 104.6
<b>Non-cash investing activities</b>					
Net change in capital asset acquisitions financed by accounts payable		\$ (0.1)	\$ 0.2	\$ 0.4	\$ (0.8)

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

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended April 25, 2021 and April 26, 2020

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

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## 1 GENERAL INFORMATION

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

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

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

The Corporation's Board of Directors approved these condensed interim consolidated financial statements on June 9, 2021.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### Basis of presentation

These interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). In particular, these interim consolidated financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting", and therefore, are condensed consolidated financial statements since they do not contain all disclosures required by IFRS for annual consolidated financial statements. These condensed interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended October 25, 2020, which include the significant accounting policies used by the Corporation.

The accounting policies adopted in these condensed interim consolidated financial statements are based on IFRS issued, in force and which were adopted by the Corporation as at April 25, 2021. Any subsequent changes to the accounting policies that will take effect in the Corporation's annual consolidated financial statements for the year ending October 31, 2021 or after could result in a restatement of these condensed interim consolidated financial statements.

### Critical judgments and sources of estimation uncertainty

The preparation of consolidated interim financial statements in accordance with IFRS requires the Corporation's management to make estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenues and expenses reported for the relevant periods. Detailed information on estimates, assumptions and critical judgments used by the Corporation is presented in the audited annual consolidated financial statements for the fiscal year ended October 25, 2020. Although management regularly reviews its estimates, actual results may differ.

In the context of the COVID-19 pandemic and the related climate of economic uncertainty, the Corporation revised some of its most complex estimates and assumptions, including significant judgment areas, used in preparing the interim consolidated financial statements for the three-month and six-month periods ended April 25, 2021. In considering the impact of the COVID-19 pandemic on financial reporting, the Corporation determined whether there was an indication that assets, cash-generating units ("CGUs") or groups of CGUs might be impaired and assessed the credit risk on receivables (Note 15). These revisions of estimates had no material impact on the three-month and six-month periods ended April 25, 2021. Additional revisions might be required in the future depending on the development of the COVID-19 pandemic and its impact on the Corporation's results of operations and financial position, and this could have an impact on the final measurement of the carrying amount of the Corporation's assets.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended April 25, 2021 and April 26, 2020

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

### 3 SEGMENTED INFORMATION

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

The Packaging Sector, which specializes in extrusion, lamination, printing and converting packaging solutions, generates revenues from the manufacturing and recycling 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 to retailers, including premedia services, flyer and in-store marketing products printing, and door-to-door distribution, as well as an array of innovative print solutions for newspapers, magazines, 4-colour books and personalized and mass marketing products. Its facilities are located in Canada.

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

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

For the three-month period ended April 25, 2021	Packaging	Printing	Other	Consolidated Results
Revenues	\$ 348.1	\$ 268.3	\$ 6.9	\$ 623.3
Operating expenses	298.9	201.0	16.4	516.3
Restructuring and other costs (gains)	(1.9)	1.9	0.5	0.5
Operating earnings before depreciation and amortization	51.1	65.4	(10.0)	106.5
Depreciation and amortization	32.9	15.0	2.7	50.6
Operating earnings	\$ 18.2	\$ 50.4	\$ (12.7)	\$ 55.9
Adjusted operating earnings before depreciation and amortization <sup>(1)</sup>	\$ 49.2	\$ 67.3	\$ (9.5)	\$ 107.0
Adjusted operating earnings <sup>(1)</sup>	31.2	53.5	(12.1)	72.6
Acquisitions of non-current assets <sup>(2)</sup>	\$ 18.2	\$ 4.1	\$ 5.3	\$ 27.6

  

For the three-month period ended April 26, 2020	Packaging	Printing	Other	Consolidated Results
Revenues	\$ 354.3	\$ 265.0	\$ 5.8	\$ 625.1
Operating expenses	297.5	211.1	12.2	520.8
Restructuring and other costs (gains)	(3.7)	6.0	4.7	7.0
Operating earnings before depreciation and amortization	60.5	47.9	(11.1)	97.3
Depreciation and amortization	34.7	15.7	2.8	53.2
Operating earnings	\$ 25.8	\$ 32.2	\$ (13.9)	\$ 44.1
Adjusted operating earnings before depreciation and amortization <sup>(1)</sup>	\$ 56.8	\$ 53.9	\$ (6.4)	\$ 104.3
Adjusted operating earnings <sup>(1)</sup>	38.2	39.4	(9.1)	68.5
Acquisitions of non-current assets <sup>(2)</sup>	\$ 17.5	\$ 9.9	\$ 4.8	\$ 32.2

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended April 25, 2021 and April 26, 2020

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

### 3 SEGMENTED INFORMATION (CONTINUED)

	Packaging	Printing	Other	Consolidated Results
<b>For the six-month period ended April 25, 2021</b>				
Revenues	\$ 685.3	\$ 542.7	\$ 18.0	\$ 1,246.0
Operating expenses	586.0	414.3	33.0	1,033.3
Restructuring and other costs (gains)	(1.8)	5.0	2.1	5.3
Operating earnings before depreciation and amortization	101.1	123.4	(17.1)	207.4
Depreciation and amortization	67.7	31.0	5.6	104.3
Operating earnings	\$ 33.4	\$ 92.4	\$ (22.7)	\$ 103.1
Adjusted operating earnings before depreciation and amortization <sup>(1)</sup>	\$ 99.3	\$ 128.4	\$ (15.0)	\$ 212.7
Adjusted operating earnings <sup>(1)</sup>	61.9	99.8	(20.5)	141.2
Acquisitions of non-current assets <sup>(2)</sup>	\$ 41.2	\$ 8.5	\$ 10.2	\$ 59.9
<b>For the six-month period ended April 26, 2020</b>				
Revenues	\$ 725.8	\$ 590.8	\$ 14.3	\$ 1,330.9
Operating expenses	621.3	471.0	25.3	1,117.6
Restructuring and other costs	—	11.7	8.6	20.3
Operating earnings before depreciation and amortization	104.5	108.1	(19.6)	193.0
Depreciation and amortization	71.6	31.0	5.5	108.1
Operating earnings	\$ 32.9	\$ 77.1	\$ (25.1)	\$ 84.9
Adjusted operating earnings before depreciation and amortization <sup>(1)</sup>	\$ 104.5	\$ 119.8	\$ (11.0)	\$ 213.3
Adjusted operating earnings <sup>(1)</sup>	65.8	91.2	(16.4)	140.6
Acquisitions of non-current assets <sup>(2)</sup>	\$ 29.0	\$ 19.7	\$ 10.0	\$ 58.7

<sup>(1)</sup> The Corporation's officers mainly make decisions and assess segment performance based on adjusted operating earnings. Adjusted operating earnings before depreciation and amortization and adjusted operating earnings exclude restructuring and other costs, impairment of assets and amortization of intangible assets arising from business combinations.

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

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### 3 SEGMENTED INFORMATION (CONTINUED)

#### Additional information on revenues

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

	Three months ended		Six months ended	
	April 25, 2021	April 26, 2020	April 25, 2021	April 26, 2020
<b>Packaging products</b>				
Americas	\$ 323.9	\$ 324.9	\$ 632.8	\$ 674.2
Rest of the world	24.2	29.4	52.5	51.6
	<b>348.1</b>	<b>354.3</b>	<b>685.3</b>	<b>725.8</b>
<b>Printing services <sup>(1)</sup></b>				
Retailer-related services <sup>(2)</sup>	140.7	143.4	295.6	339.7
Marketing products	61.6	57.0	115.5	109.5
Magazines and books	43.0	39.1	86.3	88.9
Newspapers	23.0	25.5	45.3	52.7
	<b>268.3</b>	<b>265.0</b>	<b>542.7</b>	<b>590.8</b>
<b>Media <sup>(1)</sup></b>	<b>11.0</b>	<b>8.6</b>	<b>24.7</b>	<b>20.4</b>
Inter-segment sales	(4.1)	(2.8)	(6.7)	(6.1)
	<b>\$ 623.3</b>	<b>\$ 625.1</b>	<b>\$ 1,246.0</b>	<b>\$ 1,330.9</b>

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

	As at April 25, 2021	As at October 25, 2020
Packaging	\$ 2,141.3	\$ 2,238.9
Printing	874.1	926.3
Other <sup>(3)</sup>	371.5	433.2
	<b>\$ 3,386.9</b>	<b>\$ 3,598.4</b>

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

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

<sup>(3)</sup> This heading notably includes cash, income taxes receivable, property, plant and equipment, intangible assets, right-of-use assets, deferred taxes and defined benefit asset not allocated to segments.

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### 4 OPERATING EXPENSES

Operating expenses by major headings are as follows:

	Three months ended		Six months ended	
	April 25, 2021	April 26, 2020	April 25, 2021	April 26, 2020
Employee-related costs <sup>(1)</sup>	\$ 160.2	\$ 165.2	\$ 330.5	\$ 360.1
Supply chain and logistics <sup>(2)</sup>	322.9	323.3	651.0	698.0
Other goods and services <sup>(3)</sup>	33.2	32.3	51.8	59.5
	<b>\$ 516.3</b>	<b>\$ 520.8</b>	<b>\$ 1,033.3</b>	<b>\$ 1,117.6</b>

<sup>(1)</sup> During the three-month and six-month periods ended April 25, 2021, the Corporation recognized under "Employee-related costs", against eligible salary expenses, subsidies claimed under the Canada Emergency Wage Subsidy program amounting to \$7.5 million and \$16.5 million, respectively. During the three-month and six-month periods ended April 26, 2020, the amount recognized and claimed was \$8.2 million. As at April 25, 2021, the Corporation had already received a portion of the subsidies claimed and continued to believe that there was reasonable assurance that the amount not yet received would be received from the federal government based on the fact that eligibility criteria were still met.

<sup>(2)</sup> "Supply chain and logistics" includes mainly production and distribution costs related to external suppliers.

<sup>(3)</sup> "Other goods and services" includes mainly promotion, advertising and telecommunications costs, office supplies, real estate expenses and professional fees.

### 5 RESTRUCTURING AND OTHER COSTS

Restructuring and other costs by major headings are as follows:

	Three months ended		Six months ended	
	April 25, 2021	April 26, 2020 <sup>(1)</sup>	April 25, 2021	April 26, 2020 <sup>(1)</sup>
Workforce reductions <sup>(2)</sup>	\$ 1.7	\$ 5.7	\$ 4.2	\$ 10.4
Costs related to plant closures and restructuring <sup>(2)</sup>	0.8	0.7	1.6	2.6
Losses related to the sale of certain activities <sup>(3)</sup>	—	4.3	—	10.1
Onerous contracts	—	—	1.2	0.4
Business acquisition and integration costs <sup>(4)</sup>	0.1	—	0.2	0.3
Fair value remeasurement of contingent considerations related to business combinations	15	(3.2)	(3.4)	(2.9)
Other elements <sup>(5)</sup>	1.1	(0.8)	1.5	(0.6)
	<b>\$ 0.5</b>	<b>\$ 7.0</b>	<b>\$ 5.3</b>	<b>\$ 20.3</b>

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

<sup>(2)</sup> For the three-month and six-month periods ended April 25, 2021 and April 26, 2020, amounts presented under these captions include termination payments to employees as part of plant closures or workforce reorganizations, mainly in the Printing Sector, as well as related costs associated with such restructuring.

<sup>(3)</sup> During the three-month and six-month periods ended April 26, 2020, this amount mainly included an expense for receivables related to previous transactions of \$4.0 million. For the six-month period ended April 26, 2020, these costs also include a loss on the disposal of the paper and woven polypropylene packaging operations of \$4.3 million.

<sup>(4)</sup> Business acquisition costs include transaction costs, primarily legal fees, success fees related to the acquisition and other professional fees, for potential or realized business combinations, as well as integration costs related to acquired companies.

<sup>(5)</sup> For the three-month and six-month periods ended April 26, 2020, other elements also include a \$4.2 million net gain related to insurance proceeds receivable for the replacement of equipment destroyed by fire, less the loss on the derecognition of such asset, and a \$2.0 million expense for atypical additional costs incurred in relation with the COVID-19 pandemic.

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### 6 DEPRECIATION AND AMORTIZATION

Depreciation and amortization is as follows:

	Three months ended		Six months ended	
	April 25, 2021	April 26, 2020	April 25, 2021	April 26, 2020
Property, plant and equipment	\$ 27.0	\$ 29.2	\$ 56.4	\$ 59.7
Right-of-use assets	5.5	5.1	11.1	9.8
Intangible assets	18.1	18.9	36.8	38.6
	50.6	53.2	104.3	108.1
Intangible assets and other assets, recognized in revenues and operating expenses	4.9	5.3	9.9	10.7
	\$ 55.5	\$ 58.5	\$ 114.2	\$ 118.8

### 7 NET FINANCIAL EXPENSES

Net financial expenses are as follows:

	Three months ended		Six months ended	
	April 25, 2021	April 26, 2020	April 25, 2021	April 26, 2020
Financial expenses on long-term debt	\$ 8.4	\$ 11.4	\$ 17.1	\$ 25.0
Interest on lease liabilities	0.9	0.9	1.7	1.7
Net interest on defined benefit asset and liability	0.5	0.6	1.0	1.2
Other expenses (revenues)	0.3	—	0.5	(0.6)
Net foreign exchange gains	(0.6)	(1.2)	—	(1.6)
	\$ 9.5	\$ 11.7	\$ 20.3	\$ 25.7

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### 8 INCOME TAXES

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

	Three months ended		Six months ended	
	April 25, 2021	April 26, 2020	April 25, 2021	April 26, 2020
Earnings before income taxes	\$ 46.4	\$ 32.4	\$ 82.8	\$ 59.2
Canadian statutory tax rate <sup>(1)</sup>	26.50 %	26.52	26.50 %	26.52 %
Income taxes at the statutory tax rate	12.3	8.6	21.9	15.7
Effect of differences in tax rates and additional income taxes in other jurisdictions	(1.0)	(0.3)	(2.8)	(0.5)
Income taxes on non-deductible expenses and non-taxable revenues	0.2	(1.3)	0.9	0.9
Income taxes on non-deductible restructuring and other costs and non-taxable revenues	(0.5)	(0.2)	(0.5)	12.6
Change in deferred tax assets on tax losses or temporary differences not previously recognized	(0.3)	(0.1)	(0.2)	(2.7)
Other	0.1	(0.1)	0.1	0.9
Income taxes at effective tax rate	\$ 10.8	\$ 6.6	\$ 19.4	\$ 26.9
Income taxes before the following items:	\$ 15.3	\$ 13.1	\$ 29.2	\$ 28.3
Income taxes on amortization of intangible assets arising from business combinations	(3.9)	(4.3)	(7.9)	(8.7)
Income taxes on restructuring and other costs, excluding tax impact of the disposal	(0.6)	(2.2)	(1.9)	(4.4)
Tax impact of the disposal	—	—	—	11.7
Income taxes at effective tax rate	\$ 10.8	\$ 6.6	\$ 19.4	\$ 26.9

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



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### 9 LONG-TERM DEBT

As at April 25, 2021, an amount of \$327.6 million was presented in "Current liabilities", which was comprised of tranche B of \$140.4 million (US\$112.5 million) and tranche C of \$187.2 million (US\$150.0 million) of the U.S. dollar term loans, maturing on May 1, 2021 and November 1, 2021, respectively.

The Corporation presents in its Consolidated Statements of Financial Position its financial liabilities based on their contractual maturity dates. As a result, it classified tranche D of the term loans, maturing on May 1, 2022, in Current liabilities.

#### Repayment of term loans

On October 30, 2020, the Corporation repaid the remaining portion of \$83.2 million (US\$62.5 million) on tranche A of the U.S. dollar term loans, maturing on that date.

#### Credit facilities

On March 31, 2021, the Corporation extended the maturity of its credit facility, with an amount of US\$25.0 million (\$31.2 million), by one additional year, until March 2022, on the same terms.

As at April 25, 2021, no amount had been drawn on the credit facilities, and the unused amount under the credit facilities was \$431.2 million.

#### Hedging instruments

As at April 25, 2021, an amount of US\$573.4 million (\$715.4 million) of the term loans and existing credit facilities denominated in U.S. dollars had been designated by the Corporation as hedging instruments of its net investments in foreign operations. Consequently, during the three-month and six-month periods ended April 25, 2021, foreign exchange gains of \$15.3 million and \$38.8 million, respectively, were reclassified to other comprehensive income.

In the last fiscal years, the Corporation entered into interest rate swaps as a hedge against risks related to future fluctuations of interest rates for an amount of US\$450.0 million of certain of its term loans until their respective maturities. The Corporation applies cash flow hedge accounting by designating these swaps as hedging instruments. Consequently, during the three-month and six-month periods ended April 25, 2021, the change in fair value of these hedging instruments, amounting to gains of \$2.7 million and \$2.3 million, respectively, was recognized in other comprehensive income.

The Corporation must comply with certain restrictive covenants, including maintaining certain financial ratios. During the three-month and six-month periods ended April 25, 2021, the Corporation has not been in default under any covenants.

### 10 OTHER LIABILITIES

The components of other liabilities are as follows:

	Note	As at April 25, 2021	As at October 25, 2020
Deferred revenues		\$ 1.6	\$ 2.1
Accrued liabilities and other liabilities		6.1	7.5
Stock-based compensation	13	15.1	14.8
Defined benefit liability		63.0	76.0
Derivative financial instruments		16.0	25.3
		\$ 101.8	\$ 125.7

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### 11 SHARE CAPITAL

The following table presents changes in the Corporation's share capital for the six-month period ended April 25, 2021:

	Number of shares	Amount
<b>Class A Subordinate Voting Shares</b>		
Balance as at October 25, 2020	73,049,344	\$ 621.0
Conversion of Class B Shares into Class A Subordinate Voting Shares	59,800	0.1
Balance as at April 25, 2021	73,109,144	621.1
<b>Class B Shares</b>		
Balance as at October 25, 2020	13,975,826	19.0
Conversion of Class B Shares into Class A Subordinate Voting Shares	(59,800)	(0.1)
Balance as at April 25, 2021	13,916,026	18.9
	87,025,170	\$ 640.0

#### Share redemptions

On September 18, 2020, the Corporation has been authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between October 1, 2020 and September 30, 2021, or at an earlier date if the Corporation concludes or cancels the offer, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 191,320 of its Class B Shares. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

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

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

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

During the six-month period ended April 26, 2020, the Corporation redeemed and cancelled 450,450 of its Class A Subordinate Voting Shares at a weighted average price of \$15.70, for a total cash consideration of \$7.1 million. The excess of the total consideration over the carrying amount of the shares, in the amount of \$3.3 million, was applied against retained earnings. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at April 26, 2020.

#### Dividends

Dividends of \$0.225 per share were declared and paid to holders of shares for the three-month periods ended April 25, 2021 and April 26, 2020. Dividends of \$0.45 per share were declared and paid to holders of shares for the six-month periods ended April 25, 2021 and April 26, 2020.

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### 12 NET EARNINGS PER SHARE

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

	Three months ended		Six months ended	
	April 25, 2021	April 26, 2020	April 25, 2021	April 26, 2020
<b>Numerator</b>				
Net earnings attributable to the shareholders of the Corporation	\$ 35.6	\$ 25.7	\$ 63.3	\$ 32.1
<b>Denominator (in millions)</b>				
Weighted average number of shares - basic and diluted	87.0	87.0	87.0	87.2

As at April 25, 2021 and as at April 26, 2020, there were no dilutive instruments.

### 13 STOCK-BASED COMPENSATION

#### Share unit plan for certain officers and senior executives

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

The following table presents the changes in the plan's status for the six-month period ended April 25, 2021:

	Number of units	
	DSU	RSU
Balance as at October 25, 2020	547,645	1,093,533
Units granted	—	463,681
Units cancelled	(5,655)	(5,911)
Units paid	(6,979)	(100,068)
Units converted	7,291	—
Dividends paid in units	11,168	25,314
Balance as at April 25, 2021	553,470	1,476,549

As at April 25, 2021, the liability related to the share unit plan for certain officers and senior executives was \$27.0 million (\$16.5 million as at October 25, 2020). The expenses recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 25, 2021 were \$5.7 million and \$12.9 million, respectively. The gains recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 26, 2020 were \$1.5 million and \$0.5 million, respectively. Amounts of \$0.1 million and \$2.4 million were paid under this plan for the three-month and six-month periods ended April 25, 2021, respectively. Amounts of \$0.2 million and \$3.8 million were paid under this plan for the three-month and six-month periods ended April 26, 2020, respectively.

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### 13 STOCK-BASED COMPENSATION (CONTINUED)

#### Share unit plan for directors

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

The following table presents the changes in the plan's status for the six-month period ended April 25, 2021:

	Number of units
Balance as at October 25, 2020	363,266
Directors' compensation	17,729
Units paid	(105,794)
Dividends paid in units	5,402
<b>Balance as at April 25, 2021</b>	<b>280,603</b>

As at April 25, 2021, the liability related to the share unit plan for directors was \$6.8 million (\$6.3 million as at October 25, 2020). The expenses recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 25, 2021 were \$0.9 million and \$2.7 million, respectively. The gains recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 26, 2020 were \$1.2 million and \$0.9 million, respectively. Amounts totaling nil and \$2.2 million were paid under this plan for the three-month and six-month periods ended April 25, 2021, respectively. No amount was paid under this plan for the three-month and six-month periods ended April 26, 2020.

#### Total return swap

During the year ended October 25, 2020, the Corporation had entered into a total return swap on 950,000 units purchased at a weighted-average price of \$16.37, to hedge a portion of the stock-based compensation expenses (gains) that vary based on the price of the Corporation's shares. The total return swap had a term of 12 months and could be renewed annually. On January 26, 2021, the Corporation renewed its total return swap and increased the number of hedged units from 950,000 to 1,200,000 units purchased at a weighted-average price of \$20.75. The other terms and conditions of the contract remained essentially the same, and the swap now matures in January 2022 (previously January 2021). During the three-month and six-month periods ended April 25, 2021, an amount of \$4.6 million was received under the total return swap.

The following table presents the losses (gains) recognized under Operating expenses, in the Consolidated Statements of Earnings, corresponding to the change in fair value of the total return swap for the hedged units, before considering dividends received and interest paid: .

	Three months ended		Six months ended	
	April 25, 2021	April 26, 2020	April 25, 2021	April 26, 2020
Losses (gains) recognized in the Consolidated Statements of Earnings	\$ (2.9)	\$ 5.0	\$ (6.8)	\$ 5.0
	<b>\$ (2.9)</b>	<b>\$ 5.0</b>	<b>\$ (6.8)</b>	<b>\$ 5.0</b>

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### 14 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Cash flow hedges	Net investment hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive income (loss)
<b>Balance as at October 25, 2020</b>	\$ (16.4)	\$ (10.1)	\$ 40.3	\$ (28.6)	\$ (14.8)
Net change in gains (losses), net of income taxes	10.2	33.9	(82.1)	9.4	(28.6)
<b>Balance as at April 25, 2021</b>	\$ (6.2)	\$ 23.8	\$ (41.8)	\$ (19.2)	\$ (43.4)
<b>Balance as at October 27, 2019</b>	\$ (9.8)	\$ (9.1)	\$ 31.1	\$ (38.1)	\$ (25.9)
Net change in gains, net of income taxes	(18.3)	(64.6)	135.1	11.4	63.6
<b>Balance as at April 26, 2020</b>	\$ (28.1)	\$ (73.7)	\$ 166.2	\$ (26.7)	\$ 37.7

As at April 25, 2021, the amounts expected to be reclassified to net earnings in future years are as follows:

	2021	2022	2023	2024	Total
Net change in the fair value of derivatives designated as cash flow hedges	\$ 2.5	\$ (1.4)	\$ (9.4)	\$ 0.1	\$ (8.2)
Income taxes	0.7	(0.4)	(2.4)	0.1	(2.0)
	\$ 1.8	\$ (1.0)	\$ (7.0)	\$ —	\$ (6.2)

#### Actuarial gains (losses) on defined benefit plans

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

	Three months ended		Six months ended	
	April 25, 2021	April 26, 2020	April 25, 2021	April 26, 2020
Actuarial gains on obligation - change in discount rate	\$ 59.1	\$ 29.8	\$ 41.1	\$ 10.2
Actuarial (losses) gains on plan assets - excluding interest income	(37.4)	(16.7)	(30.7)	7.5
Effect of the asset ceiling	0.2	(1.6)	1.8	(2.2)
	\$ 21.9	\$ 11.5	\$ 12.2	\$ 15.5

Actuarial gains on obligation recognized in the Statements of Comprehensive Income (Loss) for the three-month and six-month periods ended April 25, 2021 are explained by the change in the discount rate, which increased from 2.89% as at October 25, 2020 to 3.3% as at April 25, 2021 in Canada, and from 2.7% as at October 25, 2020 to 3.0% as at April 25, 2021 in the United States. Actuarial losses on plan assets are due to the fact that actual rates of return on assets were overall lower than expected returns for the three-month and six-month periods ended April 25, 2021.

Actuarial gains on obligation recognized in Statements of Comprehensive Income (Loss) for the three-month and six-month periods ended April 26, 2020 are explained by the change in the discount rate, which increased from 3.1% as at October 27, 2019 to 3.2% as at April 26, 2020 in Canada, and from 3.3% as at October 27, 2019 to 3.4% as at April 26, 2020 in the United States. Actuarial losses and gains on plan assets are attributable to the fact that actual rates of return on assets were overall lower and greater than expected returns for the three-month and six-month periods ended April 26, 2020, respectively.

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### 15 FINANCIAL INSTRUMENTS

#### Fair value of financial instruments

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

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

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

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

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

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

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

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

	As at April 25, 2021		As at October 25, 2020	
	Fair value	Carrying amount	Fair value	Carrying amount
Foreign exchange forward contracts in assets	\$ 7.1	\$ 7.1	\$ 2.7	\$ 2.7
Interest rate swaps in assets	2.9	2.9	0.3	0.3
Contingent considerations	—	—	(3.5)	(3.5)
Long-term debt	(916.9)	(897.1)	(1,038.3)	(1,020.1)
Interest rate swaps in liabilities	(16.5)	(16.5)	(25.3)	(25.3)
Foreign exchange forward contracts in liabilities	—	—	(0.8)	(0.8)

These financial instruments are classified in Level 2 of the fair value hierarchy, except for contingent considerations payable related to business combinations, which are classified in Level 3. During the six-month period ended April 25, 2021, no financial instruments were transferred between Levels 1, 2 and 3.

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### 15 FINANCIAL INSTRUMENTS (CONTINUED)

#### Change in Level 3 financial instruments

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

	April 25, 2021
<b>Balance, beginning of period</b>	\$ 3.5
Amount included in net earnings	(3.4)
Exchange rate change	(0.1)
<b>Balance, end of period</b>	\$ —

#### Credit risk

The Corporation recognizes a loss allowance for credit losses using a probability-weighted estimate of credit losses. The Corporation establishes the loss allowance for credit losses on a collective and individual assessment basis, by considering past events, current conditions and forecasts of future economic conditions. Collective assessment is carried out by grouping together trade accounts receivable with similar characteristics, mainly by geographic area, the industry in which they operate and the number of days past due. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected. In its assessment of the loss allowance for credit losses as at April 25, 2021, the Corporation considered the economic impact of the COVID-19 pandemic on its assessment, including the risk of default of its customers given the economic downturn caused by this pandemic.

### 16 SUBSEQUENT EVENTS

#### REIMBURSEMENT OF DEBT

On April 30, 2021, the Corporation repaid the balance of US\$112.5 million (\$138.1 million) of tranche B of the U.S. dollar term loans maturing on that date.

#### NEW FINANCING

On June 4, 2021, the Corporation secured a new financing amounting to US\$120 million (\$145.0 million). The amount borrowed bears interest at the U.S. base rate or LIBOR plus an applicable margin of 0.85% to 1.85% and is repayable in 7 years.

#### BUSINESS COMBINATION

On June 1, 2021, the Corporation acquired all the shares of BGI Retail Inc. ("BGI"), a full service in-store design and solution partner for retailers and global brands located in Paris, Ontario, for a purchase price of \$50.0 million, subject to adjustments, in addition to a cash contingent consideration to be paid up to a maximum of \$22.5 million if predetermined financial performance thresholds are met. The Corporation will determine the fair value of BGI's assets acquired and liabilities assumed during the next fiscal year. This acquisition supports the growth objective for the Corporation's in-store marketing products vertical.