

For Immediate Release

Transcontinental Inc. Announces Results for the Second Quarter of Fiscal 2023

Highlights

- Increase in adjusted operating earnings before depreciation and amortization⁽¹⁾ of 5.2% for the quarter, including organic growth of 18.5% in the Packaging Sector.
- Revenues of \$747.2 million for the quarter ended April 30, 2023; operating earnings of \$43.8 million; and net earnings attributable to shareholders of the Corporation of \$22.2 million (\$0.26 per share).
- Adjusted operating earnings before depreciation and amortization⁽¹⁾ of \$109.0 million for the quarter ended April 30, 2023; adjusted operating earnings⁽¹⁾ of \$66.2 million; and adjusted net earnings attributable to shareholders of the Corporation⁽¹⁾ of \$39.1 million (\$0.45 per share).
- Launched the new innovative flyer *raddar*TM in Montreal on May 15, 2023.
- Won the "Company of the Year - Large Business" award at the business competition of the Fédération des chambres de commerce du Québec (FCCQ).
- Appointment of Thomas Morin as President and Chief Executive Officer of TC Transcontinental on June 7, 2023.

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

Montréal, June 7, 2023 - Transcontinental Inc. (TSX: TCL.A TCL.B) announces its results for the second quarter of fiscal 2023, which ended April 30, 2023.

"Despite lower volume, the second quarter results are solid, with adjusted operating earnings before depreciation and amortization growing by 5.2%, said Thomas Morin, President and Chief Executive Officer of TC Transcontinental.

"In our Packaging Sector, we posted the highest quarterly adjusted operating earnings before depreciation and amortization since the Corporation entered this business segment in 2014. The profit improvement results mainly from increases in prices to mitigate the impact of inflation, cost reduction initiatives and the favourable exchange rate effect, partially offset by pressures on volume. Our investments in sustainable packaging solutions position us well for the future and should be a key driver of our long-term growth.

"As for our Printing Sector, necessary measures were taken to adjust our cost structure and prices were increased to mitigate the cost increases due to inflation. The actions allowed us to partially offset the effect of lower volume in the retail flyer printing and distribution activities. In addition, our in-store marketing activities grew in revenues and profits during the quarter. Lastly, we should highlight the launch in Montreal of *raddar*TM, our reinvented flyer."

"Our financial position is solid and we expect to generate significant cash flows in the second half of fiscal 2023, which will enable us to reduce our net indebtedness," said Donald LeCavalier, Executive Vice President and Chief Financial Officer of TC Transcontinental.

Financial Highlights

(in millions of dollars, except per share amounts)	Q2-2023 13 weeks	Q2-2022 13 weeks	Variation in %
Revenues	\$747.2	\$715.5	4.4 %
Operating earnings before depreciation and amortization	105.2	102.8	2.3
Adjusted operating earnings before depreciation and amortization ⁽¹⁾	109.0	103.6	5.2
Operating earnings	43.8	46.1	(5.0)
Adjusted operating earnings ⁽¹⁾	66.2	64.1	3.3
Net earnings attributable to shareholders of the Corporation	22.2	28.3	(21.6)
Net earnings attributable to shareholders of the Corporation per share	0.26	0.33	(21.2)
Adjusted net earnings attributable to shareholders of the Corporation ⁽¹⁾	39.1	41.7	(6.2)
Adjusted net earnings attributable to shareholders of the Corporation per share ⁽¹⁾	0.45	0.48	(6.3)

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

Results of the Second Quarter of Fiscal 2023

Revenues increased by \$31.7 million, or 4.4%, from \$715.5 million in the second quarter of 2022 to \$747.2 million in the corresponding period of 2023. This increase is mostly attributable to the favourable exchange rate effect, mainly in the Packaging Sector, and the acquisitions of Éditions du nouveau pédagogique Inc. ("ERPI"), Banaplast S.A.S. ("Banaplast") and Scolab Inc. ("Scolab").

Operating earnings before depreciation and amortization increased by \$2.4 million, or 2.3%, from \$102.8 million in the second quarter of 2022 to \$105.2 million in the second quarter of 2023. Adjusted operating earnings before depreciation and amortization increased by \$5.4 million, or 5.2%, from \$103.6 million in the second quarter of 2022 to \$109.0 million in the second quarter of 2023. These increases are mainly due to the positive impact of the increase in prices to mitigate the impact of inflation, cost reduction initiatives and the favourable exchange rate effect, partially offset by lower volume and the unfavourable impact of the stock-based compensation expense. Finally, the increase in restructuring and other costs had a negative effect on operating earnings before depreciation and amortization.

Net earnings attributable to shareholders of the Corporation decreased by \$6.1 million from \$28.3 million in the second quarter of 2022 to \$22.2 million in the second quarter of 2023. This decrease is mainly due to the increase in financial expenses, depreciation and amortization as well as restructuring and other costs, partially mitigated by lower income taxes. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.33 to \$0.26, respectively.

Adjusted net earnings attributable to shareholders of the Corporation decreased by \$2.6 million, or 6.2%, from \$41.7 million in the second quarter of 2022 to \$39.1 million in the second quarter of 2023. This decrease is due to the increase in financial expenses and depreciation and amortization, partially mitigated by the increase in adjusted operating earnings before depreciation and amortization and lower income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$0.48 to \$0.45, respectively.

Results of the First Six Months of Fiscal 2023

Revenues increased by \$48.1 million, or 3.4%, from \$1,406.1 million in the first six months of fiscal 2022 to \$1,454.2 million in the corresponding period of 2023. This increase is mainly explained by the favourable exchange rate effect and acquisitions, partially offset by the organic decline chiefly caused by lower volume.

Operating earnings before depreciation and amortization decreased by \$12.4 million, or 6.4%, from \$193.5 million in the first six months of fiscal 2022 to \$181.1 million in the corresponding period of 2023. This decline is mainly explained by the increase in restructuring and other costs.

Adjusted operating earnings before depreciation and amortization increased by \$0.5 million, or 0.3%, from \$192.6 million in the first six months of fiscal 2022 to \$193.1 million in the corresponding period of 2023. This increase is attributable to the organic growth in adjusted operating income before depreciation and amortization in the Packaging Sector and the favourable exchange rate effect. These factors were partially offset by the organic decline in adjusted operating income before depreciation and amortization in the Printing Sector, mostly caused by lower volume, notably in retail flyer printing activities and distribution.

Net earnings attributable to shareholders of the Corporation decreased by \$23.5 million, or 50.3%, from \$46.7 million in the first six months of fiscal 2022 to \$23.2 million in the corresponding period of 2023. This decrease is mainly due to the increase in restructuring and other costs, depreciation and amortization and financial expenses, partially mitigated by lower income taxes. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.54 to \$0.27, respectively.

Adjusted net earnings attributable to shareholders of the Corporation decreased by \$11.5 million, or 16.0%, from \$71.7 million in the first six months of fiscal 2022 to \$60.2 million in the corresponding period of 2023, mostly as a result of the increase in financial expenses and depreciation and amortization, partially mitigated by lower income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$0.83 to \$0.70, respectively.

For more detailed financial information, please see the Management's Discussion and Analysis for the second quarter of fiscal 2023 ended April 30, 2023 as well as the financial statements in the "Investors" section of our website at www.tc.tc.

Outlook

In the Packaging Sector, our investments in sustainable packaging solutions position us well for the future and should be a key driver of our long-term growth. The economic environment should however continue to affect short-term demand. In terms of profitability, despite the pressures on volume, we expect an increase in adjusted operating earnings before depreciation and amortization for fiscal year 2023 compared to fiscal year 2022.

In the Printing Sector, we expect volume growth in our book printing and in-store marketing activities. The transfer of cost increases should however have a negative impact on volume, notably in our retail flyer printing and distribution activities. This anticipated volume reduction, combined with the effect of inflationary pressures, should result in lower adjusted operating earnings before depreciation and amortization for fiscal year 2023 compared to fiscal year 2022. We expect this decrease to be partially offset by the implementation of the cost reduction initiatives announced in March 2023.

Finally, we expect to continue generating significant cash flows from operating activities, which will enable us to continue our strategic investments while maintaining our dividend and reducing our net indebtedness.

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 certain non-IFRS financial measures for which a complete definition is presented below and for which a reconciliation to financial information in accordance with IFRS is presented in the section entitled "Reconciliation of Non-IFRS Financial Measures" and in Note 3, "Segmented Information", to the unaudited interim condensed consolidated financial statements for the second quarter ended April 30, 2023.

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

Reconciliation of Non-IFRS Financial Measures

The financial information has been prepared in accordance with IFRS. However, financial measures used, namely adjusted operating earnings before depreciation and amortization, adjusted operating earnings, adjusted 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 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Operating earnings	\$43.8	\$46.1	\$58.8	\$79.9
Restructuring and other costs (revenues)	3.8	0.8	12.0	(0.9)
Amortization of intangible assets arising from business combinations ⁽¹⁾	18.6	17.2	37.2	34.4
Adjusted operating earnings	\$66.2	\$64.1	\$108.0	\$113.4
Depreciation and amortization ⁽²⁾	42.8	39.5	85.1	79.2
Adjusted operating earnings before depreciation and amortization	\$109.0	\$103.6	\$193.1	\$192.6

(1) Intangible assets arising from business combinations include our customer relationships, trademarks, non-compete agreements, rights of first refusal and educational book titles.

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

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

(in millions of dollars)	Three months ended		Six months ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Operating earnings	\$26.5	\$11.1	\$30.7	\$17.1
Restructuring and other costs	1.9	5.6	5.9	2.7
Amortization of intangible assets arising from business combinations ⁽¹⁾	16.1	15.1	32.1	30.3
Adjusted operating earnings	\$44.5	\$31.8	\$68.7	\$50.1
Depreciation and amortization ⁽²⁾	22.9	20.6	45.3	41.2
Adjusted operating earnings before depreciation and amortization	\$67.4	\$52.4	\$114.0	\$91.3

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

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

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

(in millions of dollars)	Three months ended		Six months ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Operating earnings	\$33.5	\$37.8	\$55.5	\$77.1
Restructuring and other costs	1.3	0.8	4.5	1.8
Amortization of intangible assets arising from business combinations ⁽¹⁾	2.0	2.0	4.1	4.0
Adjusted operating earnings	\$36.8	\$40.6	\$64.1	\$82.9
Depreciation and amortization ⁽²⁾	13.2	14.1	26.5	28.6
Adjusted operating earnings before depreciation and amortization	\$50.0	\$54.7	\$90.6	\$111.5

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

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

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

(in millions of dollars)	Three months ended		Six months ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Operating earnings	(\$16.2)	(\$2.8)	(\$27.4)	(\$14.3)
Restructuring and other costs (revenues)	0.6	(5.6)	1.6	(5.4)
Amortization of intangible assets arising from business combinations ⁽¹⁾	0.5	0.1	1.0	0.1
Adjusted operating earnings	(\$15.1)	(\$8.3)	(\$24.8)	(\$19.6)
Depreciation and amortization ⁽²⁾	6.7	4.8	13.3	9.4
Adjusted operating earnings before depreciation and amortization	(\$8.4)	(\$3.5)	(\$11.5)	(\$10.2)

(1) Intangible assets arising from business combinations include our trademarks, non-compete agreements, rights of first refusal and educational book titles.

(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 and cumulative

(in millions of dollars, except per share amounts)	Three months ended		Six months ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Net earnings attributable to shareholders of the Corporation	\$22.2	\$28.3	\$23.2	\$46.7
Restructuring and other costs (revenues)	3.8	0.8	12.0	(0.9)
Tax on restructuring and other costs (revenues)	(0.9)	(0.4)	(3.0)	—
Amortization of intangible assets arising from business combinations ⁽¹⁾	18.6	17.2	37.2	34.4
Tax on amortization of intangible assets arising from business combinations	(4.6)	(4.2)	(9.2)	(8.5)
Adjusted net earnings attributable to shareholders of the Corporation	\$39.1	\$41.7	\$60.2	\$71.7
Net earnings attributable to shareholders of the Corporation per share	\$0.26	\$0.33	\$0.27	\$0.54
Adjusted net earnings attributable to shareholders of the Corporation per share	\$0.45	\$0.48	\$0.70	\$0.83
Weighted average number of shares outstanding	86.6	86.8	86.6	86.9

(1) Intangible assets arising from business combinations include our customer relationships, trademarks, non-compete agreements, rights of first refusal and educational book titles.

Reconciliation of net indebtedness

(in millions of dollars, except ratios)	As at April 30, 2023	As at October 30, 2022
Long-term debt	\$1,024.8	\$979.3
Current portion of long-term debt	21.8	10.7
Lease liabilities	117.3	135.0
Current portion of lease liabilities	25.0	25.3
Cash	(36.4)	(45.7)
Net indebtedness	\$1,152.5	\$1,104.6
Adjusted operating earnings before depreciation and amortization (last 12 months)	\$447.2	\$446.7
Net indebtedness ratio	2.58 x	2.47 x

Dividend

The Corporation's Board of Directors declared a quarterly dividend of \$0.225 per share on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on July 24, 2023 to shareholders of record at the close of business on July 5, 2023.

Normal Course Issuer Bid

On September 29, 2022, 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 3, 2022 and October 2, 2023, 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 191,343 of its Class B Shares. Repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

During the first six months of fiscal 2023, 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 30, 2023.

Additional information

Conference Call

Upon releasing its 2023 second quarter results, the Corporation will hold a conference call for the financial community on June 7, 2023 at 4:15 p.m. The dial-in numbers are 1-416-764-8658 or 1-888-886-7786. 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 over 8,000 employees, the majority of which are based in Canada, the United States and Latin America. TC Transcontinental generated revenues of C\$3.0 billion during the fiscal year ended October 30, 2022. For more information, visit TC Transcontinental's website at www.tc.tc.

Forward-looking Statements

Our public communications often contain oral or written forward-looking statements which are based on the expectations of management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. Forward-looking statements may include observations concerning the Corporation's objectives, strategy, anticipated financial results and business outlook. The Corporation's future performance may also be affected by a number of factors, many of which are beyond the Corporation's will or control. These factors include, but are not limited to, the impact of digital product development and adoption on the demand for retailer-related services and printed products, the global economic environment, including inflation and recession risks and disruptions in the supply chain, the Corporation's ability to generate organic growth in highly competitive industries, the Corporation's ability to complete acquisitions and properly integrate them, the inability to maintain or improve operational efficiency and avoid disruptions that could affect its ability to meet deadlines, raw materials, transportation and consumed energy costs, availability of raw materials, the impact of a pandemic, an epidemic or an outbreak of an infectious disease on the Corporation's operations, operating results and financial position, cybersecurity and data protection, recruiting and retaining qualified personnel, the political and social environment as well as regulatory and legislative changes, in particular with regard to the environment or door-to-door distribution and use of plastic, 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, loss of a major customer, customer consolidation, structural changes in the industries in which the Corporation operates, the safety and quality of its packaging products used in the food industry, the impact of economic cycles on product demand, data confidentiality, the protection of its intellectual property rights, bad debts from certain customers, import and export controls, exchange rate fluctuations, interest rates and availability of capital at a reasonable cost, litigation and respect of privacy, the impact of major market fluctuations on the solvency of defined benefit pension plans, taxation, including changes in tax legislation that could adversely affect profitability, disputes with tax authorities or amendments to statutory rates in force, and results of impairment tests on the value of assets. 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 30, 2022 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 7, 2023. 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 7, 2023. Such forward-looking information may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the second quarter ended April 30, 2023

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 30, 2023. It should be read in conjunction with the information in the unaudited condensed interim consolidated financial statements and the accompanying notes. Additional information relating to the Corporation, including its *Annual Report* and *Annual Information Form*, may also be obtained on SEDAR at www.sedar.com.

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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 30, 2023. 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 operating earnings before depreciation and amortization	Operating earnings before depreciation and amortization as well as restructuring and other costs (revenues) and impairment of assets.
Adjusted operating earnings margin before depreciation and amortization	Adjusted operating earnings before depreciation and amortization divided by revenues.
Adjusted operating earnings	Operating earnings before restructuring and other costs (revenues), amortization of intangible assets arising from business combinations and impairment of assets.
Adjusted operating earnings margin	Adjusted operating earnings divided by revenues.
Adjusted income taxes	Income taxes before income taxes on restructuring and other costs (revenues), impairment of assets, amortization of intangible assets arising from business combinations as well as the adjustment on additional income taxes in other jurisdictions resulting from a prior year and the tax impact of an internal reorganization.
Adjusted net earnings attributable to shareholders of the Corporation	Net earnings attributable to shareholders of the Corporation before restructuring and other costs (revenues), amortization of intangible assets arising from business combinations and impairment of assets, net of related income taxes as well as the adjustment on additional income taxes in other jurisdictions resulting from a prior year and the tax impact of an internal reorganization.
Net indebtedness	Total of long-term debt, of current portion of long-term debt, of lease liabilities and of current portion of lease liabilities, less cash.
Net indebtedness ratio	Net indebtedness divided by the last 12 months' adjusted operating earnings before depreciation and amortization.

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. 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", "plan", "strategy", "outlook", "believe", "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 this *Management's Discussion and Analysis for the year ended October 30, 2022* and in the latest *Annual Information Form*.

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PROFILE OF TC TRANSCONTINENTAL

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

Transcontinental Inc. (TSX: TCL.A TCL.B), known as TC Transcontinental, has over 8,000 employees, the majority of which are based in Canada, the United States and Latin America. TC Transcontinental generated revenues of C\$3.0 billion during the fiscal year ended October 30, 2022. For more information, visit TC Transcontinental's website at www.tc.tc.

HIGHLIGHTS

Table #1:

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Adjusted operating earnings before depreciation and amortization ⁽¹⁾	109.0	103.6	5.2
Operating earnings	43.8	46.1	(5.0)
Adjusted operating earnings ⁽¹⁾	66.2	64.1	3.3
Net earnings attributable to shareholders of the Corporation	22.2	28.3	(21.6)
Net earnings attributable to shareholders of the Corporation per share	0.26	0.33	(21.2)
Adjusted net earnings attributable to shareholders of the Corporation ⁽¹⁾	39.1	41.7	(6.2)
Adjusted net earnings attributable to shareholders of the Corporation per share ⁽¹⁾	0.45	0.48	(6.3)

(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.

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- Won the "Company of the Year - Large Business" award at the business competition of the Fédération des chambres de commerce du Québec (FCCQ).
- Appointment of Thomas Morin as President and Chief Executive Officer of TC Transcontinental on June 7, 2023.

PREAMBLE - Economic environment

The economic environment remains tied to geopolitical events. Consumers and businesses around the world continue to be affected by rising prices. In order to control inflation, several central banks have tightened their monetary policies, which has an impact on interest rates and foreign currency exchange rates.

The Corporation's activities are exposed to a variety of market risks which may adversely impact the Corporation's results of operations and financial position, including economic cycles, inflation, and changes in interest and foreign currency exchange rates. A recession could exert pressure on the Corporation's investment activities, its customers as well as product demand by its customers. These items could have an adverse impact on the Corporation's net earnings. Management takes an active role in the risk management process, but these actions may not fully insulate the Corporation from adverse impacts of market risks.

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

(Unaudited)

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

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

Table #2:

Reconciliation of operating earnings - Second quarter and cumulative

(in millions of dollars)	Three months ended		Six months ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Operating earnings	\$43.8	\$46.1	\$58.8	\$79.9
Restructuring and other costs (revenues)	3.8	0.8	12.0	(0.9)
Amortization of intangible assets arising from business combinations ⁽¹⁾	18.6	17.2	37.2	34.4
Adjusted operating earnings	\$66.2	\$64.1	\$108.0	\$113.4
Depreciation and amortization ⁽²⁾	42.8	39.5	85.1	79.2
Adjusted operating earnings before depreciation and amortization	\$109.0	\$103.6	\$193.1	\$192.6

(1) Intangible assets arising from business combinations include our customer relationships, trademarks, non-compete agreements, rights of first refusal and educational book titles.

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

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

(in millions of dollars)	Three months ended		Six months ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Operating earnings	\$26.5	\$11.1	\$30.7	\$17.1
Restructuring and other costs	1.9	5.6	5.9	2.7
Amortization of intangible assets arising from business combinations ⁽¹⁾	16.1	15.1	32.1	30.3
Adjusted operating earnings	\$44.5	\$31.8	\$68.7	\$50.1
Depreciation and amortization ⁽²⁾	22.9	20.6	45.3	41.2
Adjusted operating earnings before depreciation and amortization	\$67.4	\$52.4	\$114.0	\$91.3

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

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

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

(in millions of dollars)	Three months ended		Six months ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Operating earnings	\$33.5	\$37.8	\$55.5	\$77.1
Restructuring and other costs	1.3	0.8	4.5	1.8
Amortization of intangible assets arising from business combinations ⁽¹⁾	2.0	2.0	4.1	4.0
Adjusted operating earnings	\$36.8	\$40.6	\$64.1	\$82.9
Depreciation and amortization ⁽²⁾	13.2	14.1	26.5	28.6
Adjusted operating earnings before depreciation and amortization	\$50.0	\$54.7	\$90.6	\$111.5

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

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

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

(in millions of dollars)	Three months ended		Six months ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Operating earnings	(\$16.2)	(\$2.8)	(\$27.4)	(\$14.3)
Restructuring and other costs (revenues)	0.6	(5.6)	1.6	(5.4)
Amortization of intangible assets arising from business combinations ⁽¹⁾	0.5	0.1	1.0	0.1
Adjusted operating earnings	(\$15.1)	(\$8.3)	(\$24.8)	(\$19.6)
Depreciation and amortization ⁽²⁾	6.7	4.8	13.3	9.4
Adjusted operating earnings before depreciation and amortization	(\$8.4)	(\$3.5)	(\$11.5)	(\$10.2)

(1) Intangible assets arising from business combinations include our trademarks, non-compete agreements, rights of first refusal and educational book titles.

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

Reconciliation of operating earnings - Last eight quarters

(in millions of dollars)	2023			2022			2021	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Operating earnings	\$43.8	\$15.0	\$85.3	\$52.1	\$46.1	\$33.8	\$80.5	\$50.2
Restructuring and other costs (revenues)	3.8	8.2	(4.6)	3.0	0.8	(1.7)	6.6	0.8
Amortization of intangible assets arising from business combinations ⁽¹⁾	18.6	18.6	18.4	17.5	17.2	17.2	17.1	16.4
Impairment of assets	—	—	—	—	—	—	0.7	—
Adjusted operating earnings	\$66.2	\$41.8	\$99.1	\$72.6	\$64.1	\$49.3	\$104.9	\$67.4
Depreciation and amortization ⁽²⁾	42.8	42.3	42.0	40.4	39.5	39.7	38.2	36.8
Adjusted operating earnings before depreciation and amortization	\$109.0	\$84.1	\$141.1	\$113.0	\$103.6	\$89.0	\$143.1	\$104.2

(1) Intangible assets arising from business combinations include our customer relationships, trademarks, non-compete agreements, rights of first refusal and educational book titles.

(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 and cumulative

(in millions of dollars, except per share amounts)	Three months ended		Six months ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Net earnings attributable to shareholders of the Corporation	\$22.2	\$28.3	\$23.2	\$46.7
Restructuring and other costs (revenues)	3.8	0.8	12.0	(0.9)
Tax on restructuring and other costs (revenues)	(0.9)	(0.4)	(3.0)	—
Amortization of intangible assets arising from business combinations ⁽¹⁾	18.6	17.2	37.2	34.4
Tax on amortization of intangible assets arising from business combinations	(4.6)	(4.2)	(9.2)	(8.5)
Adjusted net earnings attributable to shareholders of the Corporation	\$39.1	\$41.7	\$60.2	\$71.7
Net earnings attributable to shareholders of the Corporation per share	\$0.26	\$0.33	\$0.27	\$0.54
Adjusted net earnings attributable to shareholders of the Corporation per share	\$0.45	\$0.48	\$0.70	\$0.83
Weighted average number of shares outstanding	86.6	86.8	86.6	86.9

(1) Intangible assets arising from business combinations include our customer relationships, trademarks, non-compete agreements, rights of first refusal and educational book titles.

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

(in millions of dollars, except per share amounts)	2023			2022			2021	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net earnings attributable to shareholders of the Corporation	\$22.2	\$1.0	\$60.4	\$34.1	\$28.3	\$18.4	\$39.2	\$28.1
Restructuring and other costs (revenues)	3.8	8.2	(4.6)	3.0	0.8	(1.7)	6.6	0.8
Tax on restructuring and other costs (revenues)	(0.9)	(2.1)	(1.3)	(0.7)	(0.4)	0.4	(1.4)	(0.4)
Amortization of intangible assets arising from business combinations ⁽¹⁾	18.6	18.6	18.4	17.5	17.2	17.2	17.1	16.4
Tax on amortization of intangible assets arising from business combinations	(4.6)	(4.6)	(4.5)	(4.3)	(4.2)	(4.3)	(1.8)	(4.0)
Impairment of assets	—	—	—	—	—	—	0.7	—
Tax on impairment of assets	—	—	—	—	—	—	(0.2)	—
Adjustment on additional taxes in other jurisdictions	—	—	—	—	—	—	(0.3)	3.3
Tax impact of an internal reorganization	—	—	—	—	—	—	10.7	—
Adjusted net earnings attributable to shareholders of the Corporation	\$39.1	\$21.1	\$68.4	\$49.6	\$41.7	\$30.0	\$70.6	\$44.2
Net earnings attributable to shareholders of the Corporation per share	\$0.26	\$0.01	\$0.70	\$0.39	\$0.33	\$0.21	\$0.45	\$0.32
Adjusted net earnings attributable to shareholders of the Corporation per share	\$0.45	\$0.24	\$0.79	\$0.57	\$0.48	\$0.35	\$0.81	\$0.51
Weighted average number of shares outstanding	86.6	86.6	86.6	86.6	86.8	86.9	87.0	87.0

(1) Intangible assets arising from business combinations include our customer relationships, trademarks, non-compete agreements, rights of first refusal and educational book titles.

Reconciliation of net indebtedness

(in millions of dollars, except ratios)	As at April 30, 2023	As at October 30, 2022
Long-term debt	\$1,024.8	\$979.3
Current portion of long-term debt	21.8	10.7
Lease liabilities	117.3	135.0
Current portion of lease liabilities	25.0	25.3
Cash	(36.4)	(45.7)
Net indebtedness	\$1,152.5	\$1,104.6
Adjusted operating earnings before depreciation and amortization (last 12 months)	\$447.2	\$446.7
Net indebtedness ratio	2.58 x	2.47 x

ANALYSIS OF CONSOLIDATED RESULTS - SECOND QUARTER

Revenues

Revenues increased by \$31.7 million, or 4.4%, from \$715.5 million in the second quarter of 2022 to \$747.2 million in the corresponding period of 2023. This increase is mainly attributable to the favourable exchange rate effect mainly in the Packaging Sector, and the acquisitions of Éditions du nouveau pédagogique Inc. ("ERPI"), Banaplast S.A.S. ("Banaplast") and Scolab Inc. ("Scolab"). A more detailed analysis of revenues is presented in the section "Analysis of Sector Results - Second quarter".

Operating and Other Expenses

Operating expenses increased by \$26.3 million, or 4.3%, in the second quarter of 2023 compared to the corresponding period of 2022. This increase is mainly due to the unfavourable exchange rate effect, the impact of inflation on the cost structure and acquisitions. These factors were partially mitigated by lower costs related to our cost reduction initiatives.

Restructuring and other costs increased by \$3.0 million, from \$0.8 million in the second quarter of 2022 to \$3.8 million in the second quarter of 2023. This unfavourable change is mainly due to a net gain on the disposal of a building in the second quarter of 2022 and the increase in workforce reduction costs related to cost reduction initiatives in the Printing and Packaging Sectors, partially mitigated by a decrease in configuration and customization costs in cloud computing arrangements.

Operating Earnings before Depreciation and Amortization

Operating earnings before depreciation and amortization increased by \$2.4 million, or 2.3%, from \$102.8 million in the second quarter of 2022 to \$105.2 million in the second quarter of 2023. The increase in operating earnings before depreciation and amortization is chiefly attributable to the positive impact of the increase in prices to mitigate the impact of inflation, cost reduction initiatives and the favourable exchange rate effect, partially offset by lower volume, and the unfavourable impact of the stock-based compensation expense.

Adjusted operating earnings before depreciation and amortization increased by \$5.4 million, or 5.2%, from \$103.6 million in the second quarter of 2022 to \$109.0 million in the second quarter of 2023. A more detailed analysis of adjusted operating earnings is presented in the section "Analysis of Sector Results - Second Quarter".

Depreciation and Amortization

Depreciation and amortization increased by \$4.7 million, from \$56.7 million in the second quarter of 2022 to \$61.4 million in the second quarter of 2023. This increase is mostly due to the unfavourable exchange rate effect and the acquisitions in the Media Sector.

Net Financial Expenses

Net financial expenses increased by \$5.3 million, from \$9.9 million in the second quarter of 2022 to \$15.2 million in the second quarter of 2023. This unfavourable change is mainly explained by the increase in interest rates.

Income Taxes

Income taxes decreased by \$1.5 million, from \$7.9 million in the second quarter of 2022 to \$6.4 million in the second quarter of 2023. This decrease is mainly attributable to lower earnings before income taxes.

Adjusted income taxes decreased by \$0.6 million, from \$12.5 million in the second quarter of 2022, to \$11.9 million in the second quarter of 2023, for a relatively stable effective tax rate of 23.1% compared to 23.3%.

Net Earnings Attributable to Shareholders of the Corporation

Net earnings attributable to shareholders of the Corporation decreased by \$6.1 million, from \$28.3 million in the second quarter of 2022 to \$22.2 million in the second quarter of 2023. This decrease is mainly due to the increase in financial expenses, depreciation and amortization as well as restructuring and other costs, partially mitigated by lower income taxes. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.33 to \$0.26, respectively.

Adjusted net earnings attributable to shareholders of the Corporation decreased by \$2.6 million, or 6.2%, from \$41.7 million in the second quarter of 2022 to \$39.1 million in the second quarter of 2023. This decrease is due to the increase in financial expenses and depreciation and amortization, partially mitigated by the previously explained increase in adjusted operating earnings before depreciation and amortization and lower income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$0.48 to \$0.45, respectively.

ANALYSIS OF CONSOLIDATED RESULTS - CUMULATIVE

Revenues

Revenues increased by \$48.1 million, or 3.4%, from \$1,406.1 million in the first six months of fiscal 2022 to \$1,454.2 million in the corresponding period of 2023. This increase is mainly explained by the favourable exchange rate effect and acquisitions. These factors were partially offset by the organic decline chiefly caused by lower volume. A more detailed analysis of revenues is presented in the section "Analysis of Sector Results - Cumulative".

Operating and Other Expenses

Operating expenses increased by \$47.6 million in the first six months of fiscal 2023, or 3.9%, compared to the corresponding period of 2022. This increase results mainly from the unfavourable exchange rate effect, the increase in the cost of raw materials, the impact of inflation on the cost structure and the acquisitions. These factors were partially mitigated by lower costs related to our cost reduction initiatives.

Restructuring and other costs (revenues) increased by \$12.9 million, from a revenue of \$0.9 million in the first six months of fiscal 2022 to an expense of \$12.0 million in the corresponding period of 2023. This unfavourable variance is mainly due to the increase in workforce reduction costs related to cost reduction initiatives in the Printing and Packaging Sectors in 2023, and net gains realized in 2022 on the disposal of a building and insurance proceeds receivable for the replacement of equipment destroyed by a fire in the Packaging Sector, partially mitigated by a decrease in configuration and customization costs in cloud computing arrangements.

Operating earnings before depreciation and amortization

Operating earnings before depreciation and amortization decreased by \$12.4 million, or 6.4%, from \$193.5 million in the first six months of fiscal 2022 to \$181.1 million in the corresponding period of 2023. The decline in operating earnings before depreciation and amortization is mainly explained by the increase in restructuring and other costs.

Adjusted operating earnings before depreciation and amortization increased by \$0.5 million, or 0.3%, from \$192.6 million in the first six months of fiscal 2022 to \$193.1 million in the corresponding period of 2023. A more detailed analysis of adjusted operating earnings is presented in the section "Analysis of Sector Results - Cumulative".

Depreciation and Amortization

Depreciation and amortization increased by \$8.7 million, from \$113.6 million in the first six months of fiscal 2022 to \$122.3 million in the corresponding period of 2023. This increase is mostly due to the unfavourable exchange rate effect and the acquisitions in the Media Sector.

Net Financial Expenses

Net financial expenses increased by \$12.2 million, from \$19.7 million in the first six months of fiscal 2022 to \$31.9 million in the corresponding period of fiscal 2023. This unfavourable change is explained mainly by the increase in interest rates, net indebtedness and exchange rates.

Income Taxes

Income taxes decreased by \$10.1 million, from \$13.6 million in the first six months of fiscal 2022 to \$3.5 million in the corresponding period of 2023. This decrease is mainly attributable to lower earnings before income taxes.

Adjusted income taxes decreased from \$22.1 million in the first six months of fiscal 2022, for an effective tax rate of 23.6%, to \$15.7 million in the corresponding period of 2023, for an effective tax rate of 20.6%. This decrease in the effective tax rate is explained by the geographic distribution of earnings before income taxes, and an unfavourable adjustment relating to prior years in 2022.

Net Earnings Attributable to Shareholders of the Corporation

Net earnings attributable to shareholders of the Corporation decreased by \$23.5 million, or 50.3%, from \$46.7 million in the first six months of fiscal 2022 to \$23.2 million in the corresponding period of 2023. This decrease is mainly due to the increase in restructuring and other costs, depreciation and amortization and financial expenses, partially mitigated by lower income taxes. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.54 to \$0.27, respectively.

Adjusted net earnings attributable to shareholders of the Corporation decreased by \$11.5 million, or 16.0%, from \$71.7 million in the first six months of fiscal 2022 to \$60.2 million in the corresponding period of 2023, mostly as a result of the increase in financial expenses and depreciation and amortization, partially mitigated by lower income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$0.83 to \$0.70, respectively.

ANALYSIS OF SECTOR RESULTS - SECOND QUARTER

(Unaudited)

Table #3:

(in millions of dollars)	Packaging	Printing	Other	Consolidated results
Revenues - Second quarter of 2022	\$421.5	\$291.9	\$2.1	\$715.5
Acquisitions, disposals and closures	1.5	(0.3)	2.4	3.6
Existing operations				
Exchange rate effect	26.2	1.1	—	27.3
Organic growth (decline)	(5.0)	5.8	—	0.8
Revenues - Second quarter of 2023	\$444.2	\$298.5	\$4.5	\$747.2
Adjusted operating earnings before depreciation and amortization ⁽¹⁾ - Second quarter of 2022	\$52.4	\$54.7	(\$3.5)	\$103.6
Acquisitions, disposals and closures	0.5	(0.1)	(0.8)	(0.4)
Existing operations				
Exchange rate effect	4.8	0.1	0.2	5.1
Stock-based compensation	—	—	(3.2)	(3.2)
Organic growth (decline)	9.7	(4.7)	(1.1)	3.9
Adjusted operating earnings before depreciation and amortization ⁽¹⁾ - Second quarter of 2023	\$67.4	\$50.0	(\$8.4)	\$109.0

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

Packaging Sector

Packaging Sector revenues increased by \$22.7 million, or 5.4%, from \$421.5 million in the second quarter of 2022 to \$444.2 million in the second quarter of 2023. This increase is mainly attributable to the favourable exchange rate effect and the positive impact of the increase in prices to mitigate the impact of inflation, partially offset by a decrease in volume due to customer destocking.

Adjusted operating earnings before depreciation and amortization increased by \$15.0 million, or 28.6%, from \$52.4 million in the second quarter of 2022 to \$67.4 million in the second quarter of 2023. This increase is mainly explained by the net impact of the increase in prices due to the current inflationary situation and the favourable exchange rate effect, partially offset by a decrease in volume. The sector's adjusted operating earnings margin before depreciation and amortization increased from 12.4% in the second quarter of 2022 to 15.2% in the second quarter of 2023, mainly as a result of the above-mentioned items.

Printing Sector

Printing Sector revenues increased by \$6.6 million, or 2.3%, from \$291.9 million in the second quarter of 2022 to \$298.5 million in the second quarter of 2023. The increase is attributable to organic growth mainly resulting from the increase in contractual prices to mitigate the impact of inflation, partially offset by lower volume, notably in retail flyer printing and distribution activities.

Adjusted operating earnings before depreciation and amortization decreased by \$4.7 million, or 8.6%, from \$54.7 million in the second quarter of 2022 to \$50.0 million in the second quarter of 2023. This decrease is mostly caused by lower volume, notably in retail flyer printing and distribution activities, partially mitigated by in-store marketing activities and our cost reduction initiatives. The sector's adjusted operating earnings margin before depreciation and amortization decreased from 18.7% in the second quarter of 2022 to 16.8% in the second quarter of 2023, mostly due to lower volume.

Other

Revenues increased by \$2.4 million, from \$2.1 million in the second quarter of 2022 to \$4.5 million in the second quarter of 2023, mostly as a result of the acquisitions of ERPI and Scolab.

Adjusted operating earnings before depreciation and amortization decreased by \$4.9 million, from \$-3.5 million in the second quarter of 2022 to \$-8.4 million in the second quarter of 2023, mainly as a result of the unfavourable impact of the stock-based compensation and lower volume in the Media Sector due to seasonality.

ANALYSIS OF SECTOR RESULTS - CUMULATIVE

(Unaudited)

Table #4:

(in millions of dollars)	Packaging	Printing	Other	Consolidated results
Revenues - Six months ended May 1, 2022	\$805.5	\$587.3	\$13.3	\$1,406.1
Acquisitions, disposals and closures	3.1	(0.3)	8.3	11.1
Existing operations				
Exchange rate effect	46.6	2.2	—	48.8
Organic growth (decline)	(5.3)	(4.5)	(2.0)	(11.8)
Revenues - Six months ended April 30, 2023	\$849.9	\$584.7	\$19.6	\$1,454.2
Adjusted operating earnings before depreciation and amortization ⁽¹⁾ - Six months ended May 1, 2022	\$91.3	\$111.5	(\$10.2)	\$192.6
Acquisitions, disposals and closures	1.1	(0.1)	0.2	1.2
Existing operations				
Exchange rate effect	7.6	0.2	0.4	8.2
Stock-based compensation	—	—	(0.7)	(0.7)
Organic growth (decline)	14.0	(21.0)	(1.2)	(8.2)
Adjusted operating earnings before depreciation and amortization ⁽¹⁾ - Six months ended April 30, 2023	\$114.0	\$90.6	(\$11.5)	\$193.1

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

Packaging Sector

Packaging Sector revenues increased by \$44.4 million, from \$805.5 million in the first six months of fiscal 2022 to \$849.9 million in the corresponding period of 2023. This increase is mainly attributable to the favourable exchange rate effect and the positive impact of the increase in prices to mitigate the impact of inflation, partially offset by decrease in volume mainly due to continued pressures in Latin America and customer destocking.

Adjusted operating earnings before depreciation and amortization increased by \$22.7 million, from \$91.3 million in the first six months of fiscal 2022 to \$114.0 million in the corresponding period of 2023. This increase is mainly attributable to the net effect of the increase in prices due to the current inflationary situation, the favourable exchange rate effect and cost reduction initiatives, partially mitigated by lower volume. The sector's adjusted operating earnings margin before depreciation and amortization increased from 11.3% in the first six months of fiscal 2022 to 13.4% in the corresponding period of 2023, due to the above-mentioned items.

Printing Sector

Printing Sector revenues decreased by \$2.6 million, from \$587.3 million in the first six months of fiscal 2022 to \$584.7 million in the corresponding period of 2023. This decrease is due to organic decline mainly caused by lower volume, notably in retail flyer printing and distribution activities, partially offset by the favourable impact of price increases to mitigate the impact of inflation, as well as the favourable exchange rate effect.

Adjusted operating earnings before depreciation and amortization decreased by \$20.9 million, from \$111.5 million in the first six months of fiscal 2022 to \$90.6 million in the corresponding period of 2023. This decrease is mostly caused by lower volume, notably in retail flyer printing and distribution activities. The sector's adjusted operating earnings margin before depreciation and amortization decreased from 19.0% in the first six months of fiscal 2022 to 15.5% in the corresponding period of 2023, mostly due to lower volume.

Other

Revenues increased by \$6.3 million, from \$13.3 million in the first six months of fiscal 2022 to \$19.6 million in the corresponding period of 2023. This increase is mostly attributable to the acquisitions of ERPI and Scolab in the Media Sector.

Adjusted operating earnings before depreciation and amortization decreased by \$1.3 million, from \$-10.2 million the first six months of fiscal 2022 to \$-11.5 million in the corresponding period of 2023. This decrease is mainly attributable to lower volume in the Media Sector due to seasonality.

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:

	2023				2022			2021	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	
(in millions of dollars, unless otherwise indicated and per share amounts)	13 weeks	13 weeks	13 weeks	13 weeks	13 weeks	13 weeks	14 weeks	13 weeks	
Revenues	\$747.2	\$707.0	\$802.2	\$747.8	\$715.5	\$690.6	\$775.8	\$621.6	
Operating earnings before depreciation and amortization	105.2	75.9	145.7	110.0	102.8	90.7	135.8	103.4	
Adjusted operating earnings before depreciation and amortization ⁽¹⁾	109.0	84.1	141.1	113.0	103.6	89.0	143.1	104.2	
Adjusted operating earnings margin before depreciation and amortization ⁽¹⁾	14.6 %	11.9 %	17.6 %	15.1 %	14.5 %	12.9 %	18.4 %	16.8 %	
Operating earnings	\$43.8	\$15.0	\$85.3	\$52.1	\$46.1	\$33.8	\$80.5	\$50.2	
Adjusted operating earnings ⁽¹⁾	66.2	41.8	99.1	72.6	64.1	49.3	104.9	67.4	
Adjusted operating earnings margin ⁽¹⁾	8.9 %	5.9 %	12.4 %	9.7 %	9.0 %	7.1 %	13.5 %	10.8 %	
Net earnings attributable to shareholders of the Corporation	\$22.2	\$1.0	\$60.4	\$34.1	\$28.3	\$18.4	\$39.2	\$28.1	
Net earnings attributable to shareholders of the Corporation per share	0.26	0.01	0.70	0.39	0.33	0.21	0.45	0.32	
Adjusted net earnings attributable to shareholders of the Corporation ⁽¹⁾	39.1	21.1	68.4	49.6	41.7	30.0	70.6	44.2	
Adjusted net earnings attributable to shareholders of the Corporation per share ⁽¹⁾	0.45	0.24	0.79	0.57	0.48	0.35	0.81	0.51	
% of fiscal year	— %	— %	36 %	26 %	22 %	16 %	35 %	21 %	

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

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

- The impact of acquisitions;
- The effect of exchange rate fluctuations;
- The effect of interest rate fluctuations;
- The impact of the change in the share price on the stock-based compensation expense;
- The impact of changes in price of raw materials, including resin and paper; and
- The impact of inflation on costs.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL STRUCTURE

(Unaudited)

Table #6:

(in millions of dollars)	Three months ended	
	April 30, 2023	May 1, 2022 ⁽¹⁾
Operating activities		
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	\$103.4	\$106.0
Changes in non-cash operating items	23.4	(16.5)
Income taxes paid	(21.8)	(15.1)
Cash flows from operating activities	\$105.0	\$74.4
Investing activities		
Business combinations, net of acquired cash	\$—	(\$11.8)
Acquisitions of property, plant and equipment	(42.2)	(28.8)
Disposals of property, plant and equipment	—	8.1
Increase in intangible assets	(11.0)	(6.0)
Cash flows from investing activities	(\$53.2)	(\$38.5)
Financing activities		
Increase in long-term debt	\$—	\$200.0
Reimbursement of long-term debt	(0.9)	(143.0)
Net increase (decrease) in credit facilities	1.9	(53.7)
Financial expenses paid on long-term debt and credit facilities	(15.5)	(8.3)
Repayment of principal on lease liabilities	(6.2)	(6.0)
Interest paid on lease liabilities	(0.9)	(1.1)
Dividends	(19.5)	(19.6)
Share redemptions	—	(3.0)
Cash flows from financing activities	(\$41.1)	(\$34.7)
Effect of exchange rate changes on cash denominated in foreign currencies	\$0.5	\$0.6
Net change in cash	\$11.2	\$1.8

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

Financial position	As at April 30, 2023	As at October 30, 2022
Net indebtedness ⁽¹⁾	\$1,152.5	\$1,104.6
Net indebtedness ratio ⁽¹⁾	2.58 x	2.47 x
Credit rating		
DBRS	BBB (low)	BBB (low)
Outlook	Stable	Stable
Standard and Poor's	BBB-	BBB-
Outlook	Stable	Stable
Consolidated Statements of Financial Position		
	As at April 30, 2023	As at October 30, 2022
Current assets	\$1,071.9	\$1,134.7
Current liabilities	467.8	547.0
Total assets	3,708.2	3,801.0
Total liabilities	1,841.2	1,919.0

⁽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.

ANALYSIS OF FINANCIAL POSITION - SECOND QUARTER

Cash Flows from Operating Activities

Cash flows from operating activities increased from \$74.4 million in the second quarter of 2022 to \$105.0 million in the second quarter of 2023. This increase is mostly attributable to the favourable change in working capital, which is largely explained by lower inventory compared to the corresponding period of the prior year, partially mitigated by the increase in income taxes paid.

Cash Flows from Investing Activities

Cash flows from investing activities increased from a cash outflow of \$38.5 million in the second quarter of 2022 to a cash outflow of \$53.2 million in the second quarter of 2023. This change is mainly related to an increase in acquisitions of property, plant and equipment in the Packaging Sector.

Cash Flows from Financing Activities

Cash flows from financing activities went from a cash outflow of \$34.7 million in the second quarter of 2022 to a cash outflow of \$41.1 million in the second quarter of 2023. This change is mostly attributable to the increase in financial expenses, due in particular to higher interest rates.

Debt instruments

The Corporation has a credit facility amounting to \$400.0 million or the U.S. dollar equivalent, which was maturing in February 2027. On February 22, 2023, the maturity was extended by one year, until February 2028, on similar terms. The interest rate on the credit facility is based on the Corporation's credit rating. Based on the current credit rating, the applicable rate is the bankers' acceptance rate plus 1.675%, or the Secured Overnight Financing Rate ("SOFR") plus 1.775%, or the Canadian prime rate or the U.S. prime rate plus 0.675%.

The Corporation has another credit facility with a maximum amount of US\$25.0 million (\$33.9 million), which was maturing in March 2023. On January 30, 2023, the maturity of the credit facility was extended by one year, until March 2024, on similar terms. The applicable interest rate for this credit facility is SOFR plus 1.05%.

As at April 30, 2023, an amount of \$189.8 million had been drawn on the credit facilities, and the unused amount under the credit facilities was \$244.1 million.

As at April 30, 2023, the floating-rate portion of the Corporation's long-term debt represented approximately 51.7% of total debt.

Net indebtedness went from \$1,104.6 million as at October 30, 2022 to \$1,152.5 million as at April 30, 2023. This increase is mostly explained by investments in property, plant and equipment. Consequently, the net indebtedness ratio stood at 2.58x as at April 30, 2023 compared to 2.47x as at October 30, 2022, due to the above-mentioned items and higher adjusted operating earnings before depreciation and amortization.

Share Capital

Table #7:

Shares Issued and Outstanding	As at April 30, 2023	As at May 31, 2023
Class A (Subordinate Voting Shares)	72,965,844	72,965,844
Class B (Multiple Voting Shares)	13,658,326	13,658,326
Total Class A and Class B	86,624,170	86,624,170

On September 29, 2022, 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 3, 2022 and October 2, 2023, 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 191,343 of its Class B Shares. Repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

During the second quarter and the first six months of fiscal 2023, 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 30, 2023.

During the first six months of fiscal 2022, the Corporation repurchased and cancelled 337,800 of its Class A Subordinate Voting Shares at a weighted average price of \$17.73 per share, for a total cash consideration of \$6.0 million. The excess of the total consideration over the carrying amount of the shares, amounting to \$3.1 million, was applied against retained earnings.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

As at April 30, 2023, the Corporation's management excluded ERPI and Banaplast from its evaluation of internal control over financial reporting. This exclusion is accepted by the Autorité des marchés financiers ("AMF") during the first year after the acquisition of a business, to give a corporation time to integrate the acquisition.

ERPI, acquired June 13, 2022, and Banaplast, acquired June 22, 2022, have generated revenues of \$6.6 million, and of \$3.1 million, respectively, or 0.5%, and 0.2%, respectively, of the Corporation's consolidated revenues for the first six months of fiscal 2023.

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

Table #8:

(Unaudited)

(In millions of dollars)	ERPI	Banaplast
Statements of financial position	As at April 30, 2023	As at April 30, 2023
Current assets	\$18.8	\$3.7
Non-current assets	13.8	2.2
Current liabilities	10.8	0.6
Non-current liabilities	1.7	—
Statements of earnings	Six months ended April 30, 2023	Six months ended April 30, 2023
Revenues	\$6.6	\$3.1
Operating earnings before depreciation and amortization	(2.7)	1.1
Operating earnings	(5.3)	1.1

During the second quarter ended April 30, 2023, except for the information provided above, no change that has materially affected or is reasonably likely to affect the ICFR was brought to the attention of management, including the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of the Corporation.

RECENT DEVELOPMENT

On June 7, 2023, the Corporation announced the departure of Peter Brues and the appointment of Thomas Morin as President and Chief Executive Officer.

OUTLOOK

In the Packaging Sector, our investments in sustainable packaging solutions position us well for the future and should be a key driver of our long-term growth. The economic environment should however continue to affect short-term demand. In terms of profitability, despite the pressures on volume, we expect an increase in adjusted operating earnings before depreciation and amortization for fiscal year 2023 compared to fiscal year 2022.

In the Printing Sector, we expect volume growth in our book printing and in-store marketing activities. The transfer of cost increases should however have a negative impact on volume, notably in our retail flyer printing and distribution activities. This anticipated volume reduction, combined with the effect of inflationary pressures, should result in lower adjusted operating earnings before depreciation and amortization for fiscal year 2023 compared to fiscal year 2022. We expect this decrease to be partially offset by the implementation of the cost reduction initiatives announced in March 2023.

Finally, we expect to continue generating significant cash flows from operating activities, which will enable us to continue our strategic investments while maintaining our dividend and reducing our net indebtedness.

On behalf of Management,

(s) Donald LeCavalier
Executive Vice President and Chief Financial Officer

June 7, 2023

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 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Revenues	3	\$ 747.2	\$ 715.5	\$ 1,454.2	\$ 1,406.1
Operating expenses	4	638.2	611.9	1,261.1	1,213.5
Restructuring and other costs (revenues)	5	3.8	0.8	12.0	(0.9)
Operating earnings before depreciation and amortization		105.2	102.8	181.1	193.5
Depreciation and amortization	6	61.4	56.7	122.3	113.6
Operating earnings		43.8	46.1	58.8	79.9
Net financial expenses	7	15.2	9.9	31.9	19.7
Earnings before income taxes		28.6	36.2	26.9	60.2
Income taxes	8	6.4	7.9	3.5	13.6
Net earnings		22.2	28.3	23.4	46.6
Non-controlling interest		—	—	0.2	(0.1)
Net earnings attributable to the shareholders of the Corporation		\$ 22.2	\$ 28.3	\$ 23.2	\$ 46.7
Net earnings attributable to shareholders of the Corporation per share - basic and diluted		\$ 0.26	\$ 0.33	\$ 0.27	\$ 0.54
Weighted average number of shares outstanding - basic and diluted (in millions)	11	86.6	86.8	86.6	86.9

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 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Net earnings		\$ 22.2	\$ 28.3	\$ 23.4	\$ 46.6
Other comprehensive income					
Items that may be subsequently reclassified to net earnings					
Net change related to cash flow hedges					
Net change in the fair value of designated derivatives - foreign exchange risk		0.6	(0.5)	7.0	(4.1)
Net change in the fair value of designated derivatives - interest rate risk		(0.8)	2.6	(0.6)	3.4
Reclassification of the net change in the fair value of designated derivatives recognized in net earnings during the period		(3.2)	0.6	(0.4)	1.5
Related income taxes (recovery)		(0.9)	0.7	1.6	0.2
	13	(2.5)	2.0	4.4	0.6
Cumulative translation differences					
Net unrealized exchange gains on the translation of the financial statements of foreign operations		27.0	7.8	2.7	52.4
Net (losses) gains on hedge of the net investment in foreign operations		(12.5)	2.7	(2.8)	(10.2)
Related income taxes (recovery)		0.1	1.1	1.8	(0.2)
	13	14.4	9.4	(1.9)	42.4
Items that will not be reclassified to net earnings					
Changes related to defined benefit plans					
Actuarial gains (losses) on defined benefit plans		2.6	17.3	(2.6)	22.0
Related income taxes (recovery)		0.7	4.6	(0.7)	5.9
	13	1.9	12.7	(1.9)	16.1
Other comprehensive income	13	13.8	24.1	0.6	59.1
Comprehensive income		\$ 36.0	\$ 52.4	\$ 24.0	\$ 105.7

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited
(in millions of Canadian dollars)

	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	Total equity
Balance as at October 30, 2022		\$ 636.6	\$ 0.9	\$ 1,219.0	\$ 20.7	\$ 1,877.2	\$ 4.8	\$ 1,882.0
Net earnings		—	—	23.2	—	23.2	0.2	23.4
Other comprehensive income	13	—	—	—	0.6	0.6	—	0.6
Shareholders' contributions and distributions to shareholders								
Dividends	11	—	—	(39.0)	—	(39.0)	—	(39.0)
Balance as at April 30, 2023		\$ 636.6	\$ 0.9	\$ 1,203.2	\$ 21.3	\$ 1,862.0	\$ 5.0	\$ 1,867.0
Balance as at October 31, 2021		\$ 640.0	\$ 0.9	\$ 1,159.5	\$ (41.3)	\$ 1,759.1	\$ 5.2	\$ 1,764.3
Net earnings		—	—	46.7	—	46.7	(0.1)	46.6
Other comprehensive income	13	—	—	—	59.1	59.1	—	59.1
Shareholders' contributions and distributions to shareholders								
Share redemptions	11	(2.9)	—	(3.1)	—	(6.0)	—	(6.0)
Dividends	11	—	—	(39.1)	—	(39.1)	—	(39.1)
Balance as at May 1, 2022		\$ 637.1	\$ 0.9	\$ 1,164.0	\$ 17.8	\$ 1,819.8	\$ 5.1	\$ 1,824.9

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 30, 2023	As at October 30, 2022
Current assets			
Cash		\$ 36.4	\$ 45.7
Accounts receivable		536.6	575.7
Income taxes receivable		28.9	12.2
Inventories		449.2	479.3
Prepaid expenses and other current assets		20.8	21.8
		1,071.9	1,134.7
Property, plant and equipment			
		780.4	756.0
Right-of-use assets			
		122.4	140.8
Intangible assets			
		489.7	519.6
Goodwill			
		1,182.5	1,181.7
Deferred taxes			
		32.1	37.5
Other assets			
		29.2	30.7
		\$ 3,708.2	\$ 3,801.0
Current liabilities			
Accounts payable and accrued liabilities		\$ 395.3	\$ 492.2
Income taxes payable		10.3	7.0
Deferred revenues and deposits		15.4	11.8
Current portion of long-term debt	9	21.8	10.7
Current portion of lease liabilities		25.0	25.3
		467.8	547.0
Long-term debt			
	9	1,024.8	979.3
Lease liabilities			
		117.3	135.0
Deferred taxes			
		104.6	126.0
Other liabilities			
	10	126.7	131.7
		1,841.2	1,919.0
Equity			
Share capital	11	636.6	636.6
Contributed surplus		0.9	0.9
Retained earnings		1,203.2	1,219.0
Accumulated other comprehensive income	13	21.3	20.7
Attributable to shareholders of the Corporation		1,862.0	1,877.2
Non-controlling interests		5.0	4.8
		1,867.0	1,882.0
		\$ 3,708.2	\$ 3,801.0

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 30, 2023	May 1, 2022 ⁽¹⁾	April 30, 2023	May 1, 2022 ⁽¹⁾
Operating activities					
Net earnings		\$ 22.2	\$ 28.3	\$ 23.4	\$ 46.6
Adjustments to reconcile net earnings and cash flows from operating activities:					
Depreciation and amortization	6	61.4	56.7	122.3	113.6
Financial expenses on long-term debt and lease liabilities	7	14.5	8.1	27.9	18.2
Net losses (gains) on disposal of assets		0.3	(6.1)	0.8	(5.9)
Income taxes	8	6.4	7.9	3.5	13.6
Net foreign exchange differences and other		(1.4)	11.1	1.9	7.8
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		103.4	106.0	179.8	193.9
Changes in non-cash operating items		23.4	(16.5)	(28.4)	(81.4)
Income taxes paid		(21.8)	(15.1)	(34.4)	(44.5)
Cash flows from operating activities		105.0	74.4	117.0	68.0
Investing activities					
Business combinations, net of acquired cash		—	(11.8)	(0.3)	(57.5)
Acquisitions of property, plant and equipment		(42.2)	(28.8)	(86.1)	(56.9)
Disposals of property, plant and equipment		—	8.1	—	8.1
Increase in intangible assets		(11.0)	(6.0)	(18.3)	(12.1)
Cash flows from investing activities		(53.2)	(38.5)	(104.7)	(118.4)
Financing activities					
Increase in long-term debt		—	200.0	—	200.0
Reimbursement of long-term debt		(0.9)	(143.0)	(1.6)	(329.7)
Net increase (decrease) in credit facilities		1.9	(53.7)	57.3	49.8
Financial expenses paid on long-term debt and credit facilities		(15.5)	(8.3)	(24.9)	(18.5)
Repayment of principal on lease liabilities		(6.2)	(6.0)	(12.3)	(12.5)
Interest paid on lease liabilities		(0.9)	(1.1)	(1.7)	(1.6)
Dividends	11	(19.5)	(19.6)	(39.0)	(39.1)
Share redemptions	11	—	(3.0)	—	(6.0)
Cash flows from financing activities		(41.1)	(34.7)	(22.2)	(157.6)
Effect of exchange rate changes on cash denominated in foreign currencies		0.5	0.6	0.6	1.7
Net change in cash		11.2	1.8	(9.3)	(206.3)
Cash at beginning of period		25.2	23.0	45.7	231.1
Cash at end of period		\$ 36.4	\$ 24.8	\$ 36.4	\$ 24.8
Non-cash investing activities					
Net change in capital asset acquisitions financed by accounts payable		\$ 2.6	\$ (2.3)	\$ 0.9	\$ 1.0

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

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

1 GENERAL INFORMATION

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

The Corporation is a leader in flexible packaging in North America and Canada's largest printer. The Corporation mainly conducts business in Canada, the United States, Latin America and the United Kingdom 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 7, 2023.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These condensed 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 were prepared using the same accounting policies than those used in the audited annual consolidated financial statements for the year ended October 30, 2022 and should be read in conjunction with them.

3 SEGMENTED INFORMATION

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

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

The Printing Sector generates revenues from an integrated service offering for retailers, including premedia services, flyer printing and distribution, in-store marketing products 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-sector sales. The Media Sector generates revenues from print and digital publishing products, in French and English, of the following type: educational books, specialized publications for professionals and newspapers. Inter-sector sales of the Corporation are recognized at agreed transfer prices, which approximate fair value. Transactions other than sales are recognized at carrying amount.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

3 SEGMENTED INFORMATION (CONTINUED)

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

				Consolidated
For the three-month period ended April 30, 2023	Packaging	Printing	Other	Results
Revenues	\$ 444.2	\$ 298.5	\$ 4.5	\$ 747.2
Operating expenses	376.8	248.5	12.9	638.2
Restructuring and other costs (revenues)	1.9	1.3	0.6	3.8
Operating earnings before depreciation and amortization	65.5	48.7	(9.0)	105.2
Depreciation and amortization	39.0	15.2	7.2	61.4
Operating earnings ⁽¹⁾	\$ 26.5	\$ 33.5	\$ (16.2)	\$ 43.8
Adjusted operating earnings before depreciation and amortization ⁽²⁾	\$ 67.4	\$ 50.0	\$ (8.4)	\$ 109.0
Adjusted operating earnings ^{(1) & (2)}	44.5	36.8	(15.1)	66.2
Amortization of intangible assets arising from business combinations ⁽²⁾	16.1	2.0	0.5	18.6
Acquisitions of non-current assets ⁽³⁾	37.7	8.0	8.0	53.7
For the three-month period ended May 1, 2022	Packaging	Printing	Other	Consolidated
Revenues	\$ 421.5	\$ 291.9	\$ 2.1	\$ 715.5
Operating expenses	369.1	237.2	5.6	611.9
Restructuring and other costs (revenues)	5.6	0.8	(5.6)	0.8
Operating earnings before depreciation and amortization	46.8	53.9	2.1	102.8
Depreciation and amortization	35.7	16.1	4.9	56.7
Operating earnings ⁽¹⁾	\$ 11.1	\$ 37.8	\$ (2.8)	\$ 46.1
Adjusted operating earnings before depreciation and amortization ⁽²⁾	\$ 52.4	\$ 54.7	\$ (3.5)	\$ 103.6
Adjusted operating earnings ^{(1) & (2)}	31.8	40.6	(8.3)	64.1
Amortization of intangible assets arising from business combinations ⁽²⁾	15.1	2.0	0.1	17.2
Acquisitions of non-current assets ⁽³⁾	25.7	5.3	7.9	38.9

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

3 SEGMENTED INFORMATION (CONTINUED)

For the six-month period ended April 30, 2023	Packaging	Printing	Other	Consolidated results
Revenues	\$ 849.9	\$ 584.7	\$ 19.6	\$ 1,454.2
Operating expenses	735.9	494.1	31.1	1,261.1
Restructuring and other costs (revenues)	5.9	4.5	1.6	12.0
Operating earnings before depreciation and amortization	108.1	86.1	(13.1)	181.1
Depreciation and amortization	77.4	30.6	14.3	122.3
Operating earnings ⁽¹⁾	\$ 30.7	\$ 55.5	\$ (27.4)	\$ 58.8
Adjusted operating earnings before depreciation and amortization ⁽²⁾	\$ 114.0	\$ 90.6	\$ (11.5)	\$ 193.1
Adjusted operating earnings ^{(1) & (2)}	68.7	64.1	(24.8)	108.0
Amortization of intangible assets arising from business combinations ⁽²⁾	32.1	4.1	1.0	37.2
Acquisitions of non-current assets ⁽³⁾	70.3	20.0	15.2	105.5
For the six-month period ended May 1, 2022	Packaging	Printing	Other	Consolidated results
Revenues	\$ 805.5	\$ 587.3	\$ 13.3	\$ 1,406.1
Operating expenses	714.2	475.8	23.5	1,213.5
Restructuring and other costs (revenues)	2.7	1.8	(5.4)	(0.9)
Operating earnings before depreciation and amortization	88.6	109.7	(4.8)	193.5
Depreciation and amortization	71.5	32.6	9.5	113.6
Operating earnings ⁽¹⁾	\$ 17.1	\$ 77.1	\$ (14.3)	\$ 79.9
Adjusted operating earnings before depreciation and amortization ⁽²⁾	\$ 91.3	\$ 111.5	\$ (10.2)	\$ 192.6
Adjusted operating earnings ^{(1) & (2)}	50.1	82.9	(19.6)	113.4
Amortization of intangible assets arising from business combinations ⁽²⁾	30.3	4.0	0.1	34.4
Acquisitions of non-current assets ⁽³⁾	49.1	10.2	13.8	73.1

⁽¹⁾ Net financial expenses and income tax expense are managed on a centralized basis and, consequently, these line items are not allocated between the various sectors. As a result, the line items "Earnings before income taxes" and "Net earnings" are not presented by sector.

⁽²⁾ The Corporation's officers mainly make decisions and assess sector performance based on adjusted operating earnings. Adjusted operating earnings before depreciation and amortization and adjusted operating earnings exclude restructuring and other costs (revenues) and impairment of assets, if any. Adjusted operating earnings also excludes amortization of intangible assets arising from business combinations which include customer relationships, trademarks, non-compete agreements, rights of first refusal and educational book titles.

⁽³⁾ These amounts include internally generated intangible assets and acquisitions of property, plant and equipment and intangible assets, excluding those acquired in 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 by sector disaggregated by type of products and geographical area:

	Three months ended		Six months ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Packaging products ⁽¹⁾				
Revenues generated from plants located in Canada	\$ 32.9	\$ 40.6	\$ 66.7	\$ 75.8
Revenues generated from plants located in the United States	326.8	300.3	617.6	568.3
Revenues generated from plants located outside Canada and the United States	84.5	80.6	165.6	161.4
	444.2	421.5	849.9	805.5
Printing services ⁽²⁾				
Retailer-related services ⁽³⁾	138.1	143.1	281.5	293.6
Marketing products	80.8	74.3	150.9	153.2
Magazines and books	55.7	52.9	106.7	97.4
Newspapers	23.9	21.6	45.6	43.1
	298.5	291.9	584.7	587.3
Media ⁽²⁾	12.0	10.5	30.5	24.9
Inter-sector sales	(7.5)	(8.4)	(10.9)	(11.6)
	\$ 747.2	\$ 715.5	\$ 1,454.2	\$ 1,406.1

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

	As at April 30, 2023	As at October 30, 2022
Packaging	\$ 2,438.9	\$ 2,476.0
Printing	959.0	1,020.3
Other ⁽⁴⁾	310.3	304.7
	\$ 3,708.2	\$ 3,801.0

⁽¹⁾ For the three-month and six-month periods ended May 1, 2022, intercompany sales of \$28.3 million and \$55.3 million, respectively, were reclassified in revenues generated from plants located outside Canada and the United States. These revenues were previously presented within revenues generated from plants located in Canada and in the United States.

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

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

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

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4 OPERATING EXPENSES

	Three months ended		Six months ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Employee-related costs	\$ 197.0	\$ 189.6	\$ 397.1	\$ 376.1
Supply chain and logistics ⁽¹⁾	409.7	396.8	798.6	780.5
Other goods and services ⁽²⁾	31.5	25.5	65.4	56.9
	\$ 638.2	\$ 611.9	\$ 1,261.1	\$ 1,213.5

⁽¹⁾ Includes mainly production, other than employee-related costs, and distribution costs related to external suppliers.

⁽²⁾ Includes mainly promotion, advertising and telecommunications costs, office supplies, real estate expenses and professional fees.

5 RESTRUCTURING AND OTHER COSTS (REVENUES)

	Three months ended		Six months ended	
	April 30, 2023	May 1, 2022 ⁽¹⁾	April 30, 2023	May 1, 2022 ⁽¹⁾
Workforce reductions ⁽²⁾	\$ 2.2	\$ 0.5	\$ 6.9	\$ 1.3
Costs related to plant closures and restructuring ⁽²⁾	0.3	0.2	1.5	1.3
Business acquisition and integration costs	0.9	0.3	1.9	0.5
Configuration and customization costs in cloud computing arrangements	0.9	5.7	1.9	5.7
Net gains on sale of buildings	—	(6.1)	—	(6.1)
Other elements	(0.5)	0.2	(0.2)	(3.6)
	\$ 3.8	\$ 0.8	\$ 12.0	\$ (0.9)

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

⁽²⁾ Includes termination payments to employees as part of workforce reorganizations, mainly in the Printing and Packaging Sectors, as well as related costs associated with such restructuring.

6 DEPRECIATION AND AMORTIZATION

	Three months ended		Six months ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Property, plant and equipment	\$ 30.1	\$ 29.0	\$ 59.8	\$ 58.3
Right-of-use assets	6.2	6.0	12.4	12.2
Intangible assets	25.1	21.7	50.1	43.1
	\$ 61.4	\$ 56.7	\$ 122.3	\$ 113.6

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7 NET FINANCIAL EXPENSES

	Three months ended		Six months ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Financial expenses on long-term debt	\$ 13.6	\$ 7.3	\$ 26.2	\$ 16.6
Interest on lease liabilities	0.9	0.8	1.7	1.6
Net interest on defined benefit asset and liability	0.8	0.5	1.6	0.8
Other expenses	1.7	0.4	3.3	1.5
Net foreign exchange (gains) losses	(1.8)	0.9	(0.9)	(0.8)
	\$ 15.2	\$ 9.9	\$ 31.9	\$ 19.7

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 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Earnings before income taxes	\$ 28.6	\$ 36.2	\$ 26.9	\$ 60.2
Canadian statutory tax rate ⁽¹⁾	26.50 %	26.50 %	26.50 %	26.50 %
Income taxes at the statutory tax rate	7.6	9.6	7.1	16.0
Effect of differences in tax rates and additional income taxes in other jurisdictions	(1.9)	(1.5)	(4.4)	(3.5)
Income taxes on non-deductible expenses and non-taxable revenues	0.8	—	0.9	0.4
Change in deferred tax assets on tax losses or temporary differences not previously recognized	0.1	0.1	0.3	0.1
Adjustment for previous years' balances	—	—	—	1.0
Other	(0.2)	(0.3)	(0.4)	(0.4)
Income taxes at effective tax rate	\$ 6.4	\$ 7.9	\$ 3.5	\$ 13.6
Income taxes before the following items:	\$ 11.9	\$ 12.5	\$ 15.7	\$ 22.1
Income taxes on amortization of intangible assets arising from business combinations	(4.6)	(4.2)	(9.2)	(8.5)
Income taxes on restructuring and other costs (revenues)	(0.9)	(0.4)	(3.0)	—
Income taxes at effective tax rate	\$ 6.4	\$ 7.9	\$ 3.5	\$ 13.6

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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9 LONG-TERM DEBT

	Effective interest rate as at April 30, 2023	Maturity	As at April 30, 2023	As at October 30, 2022
Unsecured fixed-rate notes (issued in 2021)	2.41 %	2026	\$ 250.0	\$ 250.0
Unsecured fixed-rate notes (issued in 2022)	2.84	2025	192.4	190.9
U.S. dollar term loan (issued in 2021)	6.83	2028	159.8	161.1
U.S. dollar term loan (extended in 2022)	6.65	2027	152.5	153.0
Credit facilities	6.81	2024-2028	189.8	132.7
Unified Debenture	4.84	2028	100.0	100.0
Other loans		2026-2031	5.8	6.5
			\$ 1,050.3	\$ 994.2
Issuance costs on long-term debt at amortized cost			(3.7)	(4.2)
Total long-term debt			\$ 1,046.6	\$ 990.0
Current portion of long-term debt			\$ 21.8	\$ 10.7
Non-current portion of long-term debt			1,024.8	979.3

Hedging instruments

During the six-month period ended April 30, 2023, the Corporation entered into two interest rate swaps, for a total amount of US\$112.5 million, to hedge itself against future interest rates fluctuations of the U.S. dollar term loan (extended in 2022) until it matures in June 2027. The Corporation applies cash flow hedge accounting by designating this swap as a hedging item.

Credit facilities

The Corporation has a credit facility amounting to \$400.0 million or the U.S. dollar equivalent, which was maturing in February 2027. On February 22, 2023, the maturity was extended for an additional year, until February 2028, with similar terms. The interest rate on the credit facility is based on the Corporation's credit rating. Based on the current credit rating, the applicable rate is the bankers' acceptance rate plus 1.675%, or the Secured Overnight Financing Rate ("SOFR") plus 1.775%, or the Canadian prime rate or the U.S. prime rate plus 0.675%

The Corporation has another credit facility with a maximum amount of US\$25.0 million (\$33.9 million), which was maturing in March 2023. On January 30, 2023, the maturity was extended for an additional year, until March 2024 with similar terms. The applicable interest rate for this credit facility bears is SOFR plus 1.05%.

As at April 30, 2023, an amount of \$189.8 million had been drawn on the credit facilities, of which \$20.0 million (US\$14.8 million) was reported in current liabilities. As at April 30, 2023, the unused amount under the credit facilities was \$244.1 million.

The Corporation must comply with certain restrictive covenants, including maintaining certain financial ratios. During the six-month period ended April 30, 2023, the Corporation has not been in default under any covenants.

10 OTHER LIABILITIES

	Notes	As at April 30, 2023	As at October 30, 2022
Accrued liabilities and other liabilities		\$ 5.1	\$ 7.8
Stock-based compensation	12	11.1	10.1
Defined benefit liability		70.4	68.7
Derivative financial instruments	14	39.8	44.8
Long-term provisions		0.3	0.3
		\$ 126.7	\$ 131.7

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11 SHARE CAPITAL

	Number of shares	Amount
Class A Subordinate Voting Shares		
Balance as at October 30, 2022	72,711,344	\$ 617.7
Conversion of Class B Shares into Class A Subordinate Voting Shares	254,500	0.3
Balance as at April 30, 2023	72,965,844	618.0
Class B Shares		
Balance as at October 30, 2022	13,912,826	18.9
Conversion of Class B Shares into Class A Subordinate Voting Shares	(254,500)	(0.3)
Balance as at April 30, 2023	13,658,326	18.6
	86,624,170	\$ 636.6

Share redemptions

On September 29, 2022, 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 3, 2022 and October 2, 2023, 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 191,343 of its Class B Shares. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

During the six-month period ended April 30, 2023, 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 30, 2023.

During the six-month period ended May 1, 2022, the Corporation repurchased and cancelled 337,800 of its Class A Subordinate Voting Shares at a weighted average price of \$17.73, for a total cash consideration of \$6.0 million. The excess of the total consideration over the carrying amount of the shares, amounting to \$3.1 million, was applied against retained earnings. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at May 1, 2022.

Net earnings per share

For the six-month periods ended April 30, 2023 and May 1, 2022, there were no dilutive items.

Dividends

Dividends of \$0.225 per share were declared and paid to holders of shares for the three-month periods ended April 30, 2023 and May 1, 2022. Dividends of \$0.45 per share were declared and paid to holders of shares for the six-month periods ended April 30, 2023 and May 1, 2022.

12 STOCK-BASED COMPENSATION

Share unit plans

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 Corporation also offers a DSU plan for its directors. Under this plan, directors may elect to receive as compensation either cash, DSUs, or a combination of both.

The following table presents the changes in the plans' status for the six-month period ended April 30, 2023:

	Number of units	
	DSU	RSU
Balance as at October 30, 2022	1,056,790	1,715,442
Units granted	54,528	667,287
Units cancelled	(141)	(32,752)
Units paid	(258,146)	(758,540)
Units converted	5,465	—
Dividends paid in units	24,241	39,809
Balance as at April 30, 2023	882,737	1,631,246

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12 STOCK-BASED COMPENSATION (CONTINUED)

Share unit plans (continued)

As at April 30, 2023, the liability related to the share unit plans was \$22.2 million, of which \$11.1 million presented under Other liabilities (\$36.7 million as at October 30, 2022, of which \$10.1 million presented under Other liabilities) and the remaining balance was presented under Accounts payable and accrued liabilities. Amounts recorded in the Consolidated Statements of Earnings for the three-month periods ended April 30, 2023 and May 1, 2022 were an expense of \$1.3 million and a gain of \$7.1 million, respectively. Expenses recorded in the Consolidated Statements of Earnings for the six-month periods ended April 30, 2023 and May 1, 2022 were \$3.5 million and \$0.4 million, respectively. Amounts of \$18.0 million and \$5.3 million were paid under these plans for the six-month periods ended April 30, 2023 and May 1, 2022, respectively.

Total return swap

The Corporation uses total return swaps to hedge a portion of the stock-based compensation expenses (gains) that vary based on the price of the Corporation's shares. These swaps have a term of 12 months each. During the six-month period ended April 30, 2023, the Corporation settled, at maturity, the total return swap covering 1,200,000 units at a weighted average price of \$20.01 per unit for a consideration paid of \$5.9 million. Concurrently with the settlement, the Corporation entered into a new agreement and 900,000 units at a weighted average price of \$15.12 per unit were covered as at April 30, 2023. During the three-month periods ended April 30, 2023 and May 1, 2022, amounts recognized in the Consolidated Statements of Earnings under Operating expenses, corresponding to the change in fair value of the total return swap for hedged units, before taking into account dividends received and interest paid, were expenses of \$0.8 million and \$6.0 million, respectively. During the six-month periods ended April 30, 2023 and May 1, 2022, amounts recognized in the Consolidated Statements of Earnings under Operating expenses, corresponding to the change in fair value of the total return swap for hedged units, before taking into account dividends received and interest paid, were an expense of \$1.4 million and an expense of \$4.1 million, respectively.

13 ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

	Cash flow hedges	Net investment hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive income (loss)
Balance as at October 30, 2022	\$ (11.6)	\$ (11.3)	\$ 66.3	\$ (22.7)	\$ 20.7
Net change in gains (losses), net of income taxes	4.4	(4.6)	2.7	(1.9)	0.6
Balance as at April 30, 2023	\$ (7.2)	\$ (15.9)	\$ 69.0	\$ (24.6)	\$ 21.3
Balance as at October 31, 2021	\$ (1.3)	\$ 25.1	\$ (52.9)	\$ (12.2)	\$ (41.3)
Net change in gains (losses), net of income taxes	0.6	(10.0)	52.4	16.1	59.1
Balance as at May 1, 2022	\$ (0.7)	\$ 15.1	\$ (0.5)	\$ 3.9	\$ 17.8

As at April 30, 2023, the amounts expected to be reclassified to net earnings in future years are as follows:

	2023	2024	2025	2026	2027	Total
Net change in the fair value of derivatives designated as cash flow hedges	\$ (3.3)	\$ (5.0)	\$ (1.3)	\$ 0.1	\$ (0.2)	\$ (9.7)
Income taxes	(0.9)	(1.3)	(0.3)	—	—	(2.5)
	\$ (2.4)	\$ (3.7)	\$ (1.0)	\$ 0.1	\$ (0.2)	\$ (7.2)

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13 ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME (CONTINUED)

Actuarial gains and losses on defined benefit plans

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

	Three months ended		Six months ended	
	April 30, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Actuarial gains (losses) on obligation - change in discount rate	\$ 5.1	\$ 102.0	\$ (32.7)	\$ 120.0
Actuarial (losses) gains on plan assets - excluding interest income	(2.4)	(69.6)	30.2	(82.6)
Effect of the asset ceiling	(0.1)	(15.1)	(0.1)	(15.4)
Related income taxes (recovery)	0.7	4.6	(0.7)	5.9
	\$ 1.9	\$ 12.7	\$ (1.9)	\$ 16.1

Actuarial gains and losses on obligation recognized in the Statements of Comprehensive Income for the six-month period ended April 30, 2023 are explained by the change in the discount rate, which decreased from 5.40% as at October 30, 2022 to 4.80% as at April 30, 2023 in Canada, and from 5.70% as at October 30, 2022 to 4.90% as at April 30, 2023 in the United States. Actuarial gains and losses on plan assets are due to the fact that actual rates of return on assets were higher than expected returns for the six-month period ended April 30, 2023.

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

14 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. Therefore, due to its estimated and subjective nature, the fair value must not be interpreted as being realizable in an immediate settlement of the financial instruments.

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

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

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

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14 FINANCIAL INSTRUMENTS (CONTINUED)

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

	Fair value hierarchy	As at April 30, 2023		As at October 30, 2022	
		Fair value	Carrying amount	Fair value	Carrying amount
Prepaid expenses and other current assets					
Foreign exchange forward contracts	Level 2	\$ 0.3	\$ 0.3	\$ 1.2	1.2
Other assets					
Foreign exchange forward contracts	Level 2	0.1	0.1	1.0	1.0
Accounts payable and accrued liabilities					
Total return swaps	Level 2	(0.5)	(0.5)	(4.9)	(4.9)
Foreign exchange forward contracts	Level 2	(7.0)	(7.0)	(7.9)	(7.9)
Long-term debt					
Long-term debt	Level 2	(1,050.6)	(1,046.6)	(935.8)	(990.0)
Other liabilities					
Interest rate swaps	Level 2	(0.2)	(0.2)	—	—
Cross-currency interest rate swaps	Level 2	(36.8)	(36.8)	(35.3)	(35.3)
Foreign exchange forward contracts	Level 2	(2.8)	(2.8)	(9.5)	(9.5)

During the six-month period ended April 30, 2023, no financial instruments were transferred between Levels 1, 2 and 3.