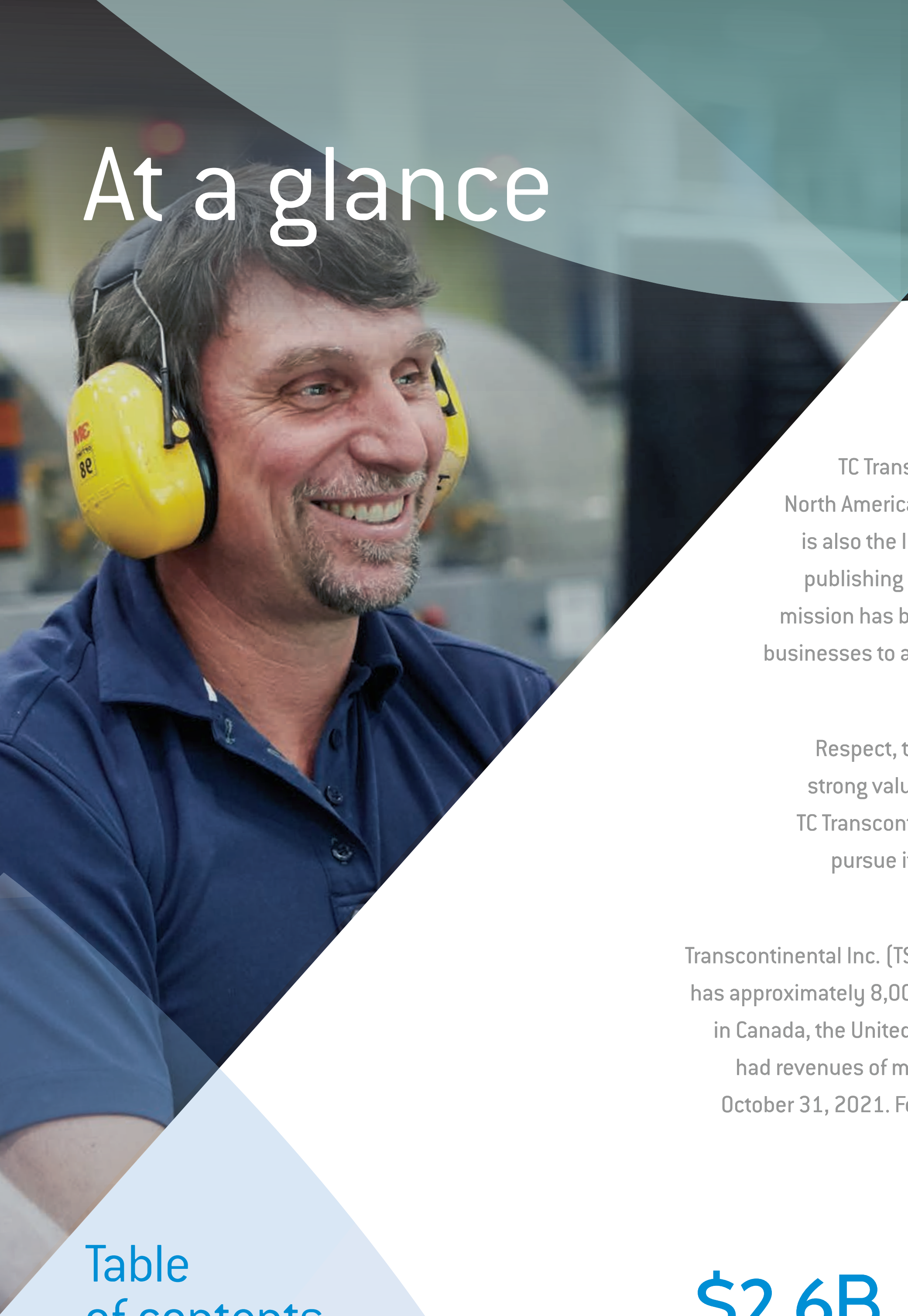
2021 ANNUAL REPORT

# Building a sustainable future

TRANSCONTINENTAL

# At a glance



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 products and services that allow businesses to attract, reach and retain their target customers.

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

Transcontinental Inc. (TSX: TCL.A TCL.B), known as TC Transcontinental, has approximately 8,000 employees, the majority of which are based in Canada, the United States and Latin America. TC Transcontinental had revenues of more than C$2.6 billion for the fiscal year ended October 31, 2021. For more information, visit TC Transcontinental's website at www.tc.tc

## Table of contents



**$2.6B**

Revenues for the fiscal year ended October 31, 2021 including more than 69% in growth areas

**$315.3M**

Cash flows from operating activities for the fiscal year ended October 31, 2021

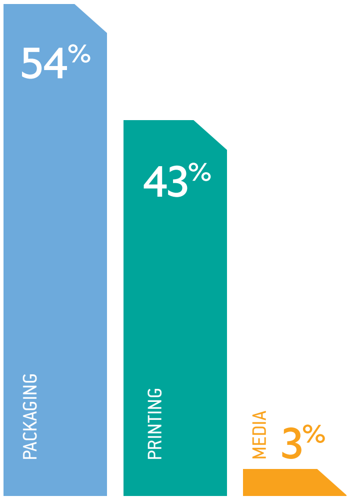
Investment grade credit rating

**DBRS: BBB (low), stable**

**S&P: BBB-, stable**

As at October 31, 2021

## Consolidated[1] revenue composition for fiscal 2021




# Financial highlights

**REVENUES**
(in millions of dollars)

| | IFRS |
|---|---|
| 2021 | 2,643.4 |
| 2020 | 2,574.0 |

**OPERATING EARNINGS BEFORE DEPRECIATION AND AMORTIZATION**
(in millions of dollars)

| | IFRS | Adjusted[2] |
|---|---|---|
| 2021 | 441.5 | 454.9 |
| 2020 | 458.0 | 499.4 |

**OPERATING EARNINGS**
(in millions of dollars)

| | IFRS | Adjusted[2] |
|---|---|---|
| 2021 | 233.8 | 313.5 |
| 2020 | 241.4 | 352.8 |

**NET EARNINGS ATTRIBUTABLE TO SHAREHOLDERS OF THE CORPORATION PER SHARE**
(in dollars)

| | IFRS | Adjusted[2] |
|---|---|---|
| 2021 | 1.50 | 2.37 |
| 2020 | 1.51 | 2.61 |

**CASH FLOWS FROM OPERATING ACTIVITIES**
(in millions of dollars)

| | |
|---|---|
| 2021 | 315.3 |
| 2020 | 427.0 |

**NET INDEBTEDNESS RATIO[2]**

| | |
|---|---|
| 2021 | 2.0X |
| 2020 | 1.9X |

### TC Transcontinental Packaging

- A leader in flexible packaging in North America
- About 3,900 employees
- Network of 28 packaging plants
- Variety of flexible plastic products, including rollstocks, bags and pouches, shrink films and bags, and advanced coatings

### TC Transcontinental Printing

- Largest printer in Canada
- About 3,700 employees
- Network of 13 printing plants
- Integrated service offering for retailers, publishers and advertisers, including printing, premedia and distribution services

### TC Media

- The leading Canadian French-language educational publishing group and the leader in strategic information for the different players in Québec's construction sector
- Over 200 employees

[1] Excluding inter-segment eliminations.

[2] Non-IFRS financial measure. A complete definition of the non-IFRS financial measures and reconciliation to IFRS financial measures is presented in the *Management's Discussion and Analysis* of this annual report on page 6.

# Message from the Chair of the Board

Again this year, TC Transcontinental has accomplished so many great things. I am very pleased, and I have more confidence than ever in our ability to build, look far ahead and act in a spirit of lasting success. The theme of the 2021 Annual Report, *Building a Sustainable Future*, reflects what motivates me, motivates us, and brings us together every day around a common future.

Together, in 2021, we served our loyal customers and enthusiastically welcomed new ones, respected our commitments to corporate social responsibility (CSR), carried out a number of promising projects in our three sectors, shone in the public arena by winning several coveted awards, and broadened our horizons by acquiring new complementary businesses. All these successes make me all the more proud, because the ongoing pandemic has also brought its share of challenges.

Sustainability is rooted in our DNA, as is the fact that we have been builders since TC Transcontinental was founded. This past June, we released our *2020 Corporate Social Responsibility Progress Report*, linked to our 2019-2021 CSR three-year plan *Acting Together*. Our achievements are supported by strong governance and oversight of the Corporation's CSR objectives by our Board of Directors and its Governance and Social Responsibility Committee. As we prepare our 2022-2025 plan, the results of our recent stakeholder consultation will help us update our materiality matrix and focus on actions with greater impact.

Our exceptional entrepreneurial history has often been anchored in innovation. We have achieved this with the circular economy of paper, where our efforts have contributed to its implementation. Today, our range of sustainable products, advances in research and development – such as the opening of our ASTRA Center in Wisconsin this past September, which specializes in R&D and innovation – and our participation in industry discussions are bringing us to the heart of the circular economy for plastics. The Circular Plastics Taskforce (CPT), of which we are a founding member, aims to implement a circular economy for plastics in Québec and Canada.

In addition, we continued to strengthen our presence in all our markets. We continue to operate with a long-term growth vision. Two recent acquisitions, one in Canada, BGI Retail Inc., in the in-store marketing solutions segment, and H.S. Crocker in the United States in the Packaging sector, illustrate our ambitions.

In terms of our commitment to communities, I am proud that we have been able to innovate. TC Transcontinental was quick to respond to the Québec government's call requesting businesses support the health network in its vaccination campaign against COVID-19. In collaboration with Énergir, we opened a supervised vaccination centre for the local population, our employees and their families in our facility in Montréal's east end this summer. Nearly 30,000 people were vaccinated. As usual, we also embraced the United Way cause by raising $404,000 for the foundation.

Moreover, we decided to expand our diversity and inclusion program this year, which is very close to my heart, to include ethnic and LGBTQ+ diversity. I applaud the launch of the True Colors committee, led by a group of our employees, to create an inclusive and safe space for members of the LGBTQ+ community.

We are also proud of the awards we have won, including Gold in the Sustainability category at the Flexible Packaging Association (FPA) Awards of Excellence and *Innovation in Sustainability* at the Flexographic Technical Association (FTA) Sustainability Excellence Award 2021 competition for our *Integritite*™ shrink film made from post-consumer recycled plastic. Once again, we have taken the lead and our industry has recognized our work.

Without a doubt, the future is looking bright as TC Transcontinental enters a new era, with the retirement of François Olivier and the arrival of Peter Brues in our senior management team. The commitment and resilience of our employees, the loyalty of our customers, the quality of our management, the innovation in our products, our strong values and solid financial position are all signs of great success to come.

We owe a great deal to François Olivier, after 28 years with TC Transcontinental, the last 13 of which he served as President. An outstanding manager, a visionary, a team player who knew how to think big, he leaves behind a solid legacy that he planned with conviction and courage. I would like to acknowledge his outstanding contribution to the Corporation and his remarkable career with many strategic and significant achievements.

Peter Brues knows TC Transcontinental well as a member of our Board of Directors since 2018. His vast business experience, expertise in the packaging and manufacturing field, strategic mindset and leadership skills are considerable assets for the continued evolution of our company. He has my full confidence and gratitude for accepting this challenge.

In closing, I would like to thank everyone, both in our facilities and in our management teams, for their commitment and support. The quality of their work takes us to the highest levels every day. I also want to thank the members of the Board of Directors. Their expertise and sound advice ensure solid governance, especially since the majority of Board members are independent, and all members of the various Board committees are also independent. Finally, I would like to thank our shareholders for their trust and loyalty.

We all dream of a sustainable future, and together, we will build it.

Chair of the Board,

Isabelle Marcoux

December 10, 2021

# The presidency

## François Olivier

**"After 28 years with TC Transcontinental, I am departing with confidence and pride, leaving behind a solid, successful and responsible company that is well positioned to pursue its evolution and strategic vision. I am particularly grateful to the employees who, through their exceptional commitment and hard work, contribute to TC Transcontinental's success each and every day. It has been a privilege to serve as President and I would like to extend my warmest thanks to customers, shareholders, the Board of Directors and the Marcoux family for their confidence over the years."**

Retirement on December 9, 2021.

## Peter Brues

**"I am pleased to be more deeply involved in an organization that is growing fast worldwide and enjoys an excellent reputation. I would like to thank the Board of Directors for their confidence in me and look forward to working with the management team to ensure TC Transcontinental's continued success and the creation of sustainable shareholder value."**

President and Chief Executive Officer as of December 10, 2021.

# Social responsibility in action


## Building a circular economy for plastics, one package at a time

Since the company was founded over 45 years ago, we have demonstrated leadership in corporate social responsibility (CSR), and this is reflected in our business operations. Our long-term vision continues to guide us as we pursue our packaging growth objectives, as we are determined to be a leading player in creating a true circular economy for plastics.

The flexible plastic packaging we produce plays an essential role: it reduces resource consumption by offering an excellent product-to-packaging ratio, it protects the product and facilitates its transport, as well as considerably extending its shelf life, thus proving to be one of the key solutions for reducing food waste. However, we all need to make greater efforts to ensure that plastic packaging is effectively managed at the end of its life cycle. We are actively working to accelerate this transition, and we are part of the solution.

TC Transcontinental shares the Ellen MacArthur Foundation's vision that plastic should never become waste. In this sense, we are proud to have become the first Canadian manufacturer to join the *New Plastics Economy Global Commitment* in March 2019. As a packaging manufacturer and recycler of flexible plastics, our privileged position in the value chain allows us to work towards ensuring that our packaging is not only recyclable and compostable in theory, but also recovered and recycled and composted in practice. In order to meet our commitments, we have developed a three-pronged approach, based on concrete and promising projects such as those presented next.

### **Innovate** to design recyclable or compostable products

vieVERTe®

Our significant investments and our numerous research and development projects allow us to continuously improve our portfolio of *vieVERTe®* sustainable products, which encompasses our line of compostable, recyclable and post-consumer recycled content products. These innovative products meet the needs of our markets and retain all the benefits of flexible packaging, including barriers, durability, performance, shelf stability and visual appeal, while providing a responsible end-of-life solution. We are making progress towards our goal of having 100% of our plastic packaging reusable, recyclable or compostable by 2025.

### **Collaborate** with industry players to increase recycling and composting rates of flexible plastics

GAPC CPT

TC Transcontinental is a founding member of the Circular Plastics Taskforce (CPT), an initiative that seeks to provide concrete solutions to the challenges facing the recycling industry in Québec and Canada. Following the completion of the first phase of its project, CPT published a white paper in September 2021, which outlines opportunities for improvements within the plastics value chain. Some of these will be implemented in pilot projects developed in the second phase of the CPT starting in 2022.

### **Promote** the use of post-consumer recycled content

It is essential to create new local and stable markets for end-of-life plastics to encourage their circularity. Launched in February 2020, our Recycling Group converts recovered flexible plastics into recycled plastic pellets, which are then reintroduced into our flexible packaging products. This vertical integration strategy puts us ahead of the curve when it comes to developing packaging products made with post-consumer recycled content, and this will ultimately ensure a stable supply of quality recycled resin.

In the fall of 2021, TC Transcontinental Packaging opened the ASTRA Center, a space dedicated to Art, Science and Technology for Research and Applications, located in Menasha, Wisconsin. This center is at the heart of our operations and will allow us to drive growth and innovation as well as be a partner in sustainable solutions for our customers.

# Management's discussion and analysis

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended October 31, 2021

The purpose of this *Management's Discussion and Analysis* is to help the reader better understand the business, development strategy and future outlook of Transcontinental Inc., how we manage risk, as well as to analyze the Corporation's results and financial position for the year ended October 31, 2021. It should be read in conjunction with the information in the annual consolidated financial statements and the accompanying notes. Additional information relating to the Corporation, including its Annual Report and *Annual Information Form*, may also be obtained on SEDAR at www.sedar.com.

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

In addition, in this *Management's Discussion and Analysis*, we also use non-IFRS financial measures for which a complete definition is presented below and for which a reconciliation to financial information in accordance with IFRS is presented in Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" and in Note 3 "Segmented Information" to the annual consolidated financial statements for the year ended October 31, 2021. These measures should be considered as a complement to financial performance measures in accordance with IFRS. They do not substitute and are not superior to them.

Unless otherwise specified, all comparative figures from the Consolidated Statement of Income for the fourth quarter of 2021 (14-week period ended October 31, 2021) are compared with data for the fourth quarter of 2020 (13-week period ended October 25, 2020), and all comparative figures from the Consolidated Statement of Income for full-fiscal 2021 (53-week period ended October 31, 2021) are compared with data for full-fiscal 2020 (52-week period ended October 25, 2020).

| Terms Used | Definitions |
|---|---|
| Adjusted operating earnings before depreciation and amortization | Operating earnings before depreciation and amortization as well as restructuring and other costs (gains) and impairment of assets. |
| Adjusted operating earnings margin before depreciation and amortization | Adjusted operating earnings before depreciation and amortization divided by revenues. |
| Adjusted operating earnings | Operating earnings before restructuring and other costs (gains), 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 (gains), 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 (gains), 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 forward-looking statements include, among others, statements with respect to our medium-term objectives, our outlook, our strategies to achieve these objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. The words "may", "could", "should", "would", "assumptions", "strategy", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "objective", the use of the future and conditional tenses, and words and expressions of similar nature are intended to identify forward-looking statements. Such forward-looking statements may also include observations concerning the Corporation's anticipated financial results and business outlooks and the economies in which it operates. The Corporation's future performance may also be affected by a number of factors, many of which are beyond its will or control. The main risks, uncertainties and factors that could influence actual results are described in this *Management's Discussion and Analysis for the year ended October 31, 2021* and in the latest *Annual Information Form*.

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

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

The forward-looking statements in this *Management's Discussion and Analysis* are based on current expectations and information available as at December 9, 2021. Such forward-looking statements may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's Management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

## PROFILE OF TC TRANSCONTINENTAL

TC Transcontinental is a leader in flexible packaging in North America, and Canada's largest printer. The Corporation is also 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.

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**Packaging Sector**
TC Transcontinental Packaging, the Packaging Sector of TC Transcontinental, positions itself as leader in flexible packaging with operations mainly in the United States, as well as in Canada, Guatemala, Mexico, Ecuador, United Kingdom, New Zealand and China. This sector has approximately 3,900 employees. Its platform is comprised of one premedia studio and 28 production plants specializing in recycling, extrusion, printing, lamination and converting. TC Transcontinental Packaging offers a variety of flexible plastic products, including rollstock, bags and pouches, shrink films and bags, advanced coatings, and services a variety of markets, including dairy, coffee, meat and poultry, pet food, agriculture, beverage, home and personal care products, industrial, consumer and medical products.

**Printing Sector**
TC Transcontinental Printing, the Printing Sector of TC Transcontinental, is the largest printer in Canada and one of the largest in North America. This sector has approximately 3,700 employees and possesses a network of 13 state-of-the-art plants. TC Transcontinental Printing provides an integrated service offering for retailers, including premedia services, flyer printing and in-store marketing products, and door-to-door distribution through Publisac in Québec and Targeo, a pan-Canadian distribution brokerage service. This sector also offers an array of innovative print solutions for newspapers, magazines, 4-colour books and personalized and mass marketing products.

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

## HIGHLIGHTS

**Table #1:**

| (in millions of dollars, except per share amounts) | Q4 - 2021 | Q4 - 2020 | Variation in % | Fiscal 2021 | Fiscal 2020 | Variation in % |
|---|---|---|---|---|---|---|
| Revenues (1) | $775.8 | $655.7 | 18.3 % | $2,643.4 | $2,574.0 | 2.7 % |
| Operating earnings before depreciation and amortization | 133.2 | 134.9 | (1.3) | 441.5 | 458.0 | (3.6) |
| Adjusted operating earnings before depreciation and amortization (2) | 140.5 | 146.8 | (4.3) | 454.9 | 499.4 | (8.9) |
| Operating earnings | 80.5 | 81.2 | (0.9) | 233.8 | 241.4 | (3.1) |
| Adjusted operating earnings (2) | 104.9 | 110.1 | (4.7) | 313.5 | 352.8 | (11.1) |
| Net earnings attributable to shareholders of the Corporation | 39.2 | 51.3 | (23.6) | 130.6 | 131.7 | (0.8) |
| Net earnings attributable to shareholders of the Corporation per share | 0.45 | 0.59 | (23.7) | 1.50 | 1.51 | (0.7) |
| Adjusted net earnings attributable to shareholders of the Corporation (2) | 70.6 | 72.4 | (2.5) | 206.4 | 227.0 | (9.1) |
| Adjusted net earnings attributable to shareholders of the Corporation per share (2) | 0.81 | 0.84 | (3.6) | 2.37 | 2.61 | (9.2) |

(1) The above revenues include a $56.5 million impact for the additional week effect in the fourth quarter of 2021, compared to 13 weeks in the fourth quarter of 2020.
(2) Please refer to Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.
Note: The above results include $3.7 million in Canada Emergency Wage Subsidy for the fourth quarter of 2021 compared to $14.5 million for the fourth quarter of 2020, as well as $29.5 million for the year ended October 31, 2021 compared to $58.5 million for the year ended October 25, 2020.

- Increase in revenues and solid profitability in the Packaging and Printing Sectors for the quarter.
- Revenues of $775.8 million for the quarter ended October 31, 2021; operating earnings of $80.5 million; and net earnings attributable to shareholders of the Corporation of $39.2 million ($0.45 per share).
- Adjusted operating earnings before depreciation and amortization of $140.5 million for the quarter ended October 31, 2021; adjusted operating earnings of $104.9 million; and adjusted net earnings attributable to shareholders of the Corporation of $70.6 million ($0.81 per share).
- Made significant investments in research and development laboratories with state-of-the-art equipment in the state of Wisconsin, to drive growth and innovation and optimize the creation of sustainable solutions for customers.
- Acquired H.S. Crocker on November 1, 2021, broadening the packaging solutions portfolio in the food sector as well as expanding pharmaceutical and medical expertise in the advanced coatings product offering.
- Retirement of Francois Olivier on December 9, 2021 and Peter Brues will assume the position of President and Chief Executive Officer on December 10, 2021.

## PREAMBLE - IMPACT OF COVID-19

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

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

## ADDITIONAL WEEK IN FISCAL 2021

Approximately every six years, our fiscal year has 53 weeks and the fourth quarter has 14 weeks, as it is the case in fiscal 2021. Consequently, the results for the fourth quarter of 2021 and fiscal 2021 include an additional week.

## 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 - Fourth quarter and fiscal year**

| | Three months ended | | Year ended | |
|---|---|---|---|---|
| (in millions of dollars) | **October 31, 2021** | October 25, 2020 | **October 31, 2021** | October 25, 2020 |
| **Operating earnings** | **$80.5** | $81.2 | **$233.8** | $241.4 |
| Restructuring and other costs | **6.6** | 11.9 | **12.7** | 41.4 |
| Amortization of intangible assets arising from business combinations (1) | **17.1** | 17.0 | **66.3** | 70.0 |
| Impairment of assets | **0.7** | — | **0.7** | — |
| **Adjusted operating earnings** | **$104.9** | $110.1 | **$313.5** | $352.8 |
| Depreciation and amortization (2) | **35.6** | 36.7 | **141.4** | 146.6 |
| **Adjusted operating earnings before depreciation and amortization** | **$140.5** | $146.8 | **$454.9** | $499.4 |

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

**Reconciliation of operating earnings - Fourth quarter and fiscal year for Packaging Sector**

| | Three months ended | | Year ended | |
|---|---|---|---|---|
| (in millions of dollars) | **October 31, 2021** | October 25, 2020 | **October 31, 2021** | October 25, 2020 |
| **Operating earnings** | **$19.7** | $23.1 | **$64.4** | $85.2 |
| Restructuring and other costs (gains) | **3.9** | (0.2) | **0.9** | (0.2) |
| Amortization of intangible assets arising from business combinations (1) | **15.0** | 15.8 | **60.0** | 65.1 |
| Impairment of assets | **0.4** | — | **0.4** | — |
| **Adjusted operating earnings** | **$39.0** | $38.7 | **$125.7** | $150.1 |
| Depreciation and amortization (2) | **18.9** | 19.3 | **73.8** | 77.4 |
| **Adjusted operating earnings before depreciation and amortization** | **$57.9** | $58.0 | **$199.5** | $227.5 |

(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 - Fourth quarter and fiscal year for Printing Sector**

| (in millions of dollars) | Three months ended October 31, 2021 | Three months ended October 25, 2020 | Year ended October 31, 2021 | Year ended October 25, 2020 |
|---|---|---|---|---|
| **Operating earnings** | **$62.8** | $52.2 | **$197.7** | $173.6 |
| Restructuring and other costs | **1.5** | 11.4 | **8.1** | 32.1 |
| Amortization of intangible assets arising from business combinations (1) | **2.0** | 1.2 | **6.1** | 4.8 |
| Impairment of assets | **0.3** | — | **0.3** | — |
| **Adjusted operating earnings** | **$66.6** | $64.8 | **$212.2** | $210.5 |
| Depreciation and amortization (2) | **14.5** | 14.7 | **57.4** | 58.2 |
| **Adjusted operating earnings before depreciation and amortization** | **$81.1** | $79.5 | **$269.6** | $268.7 |

(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 - Fourth quarter and fiscal year for Other Sector**

| (in millions of dollars) | Three months ended October 31, 2021 | Three months ended October 25, 2020 | Year ended October 31, 2021 | Year ended October 25, 2020 |
|---|---|---|---|---|
| **Operating earnings** | **($2.0)** | $ 5.9 | **($28.3)** | ($17.4) |
| Restructuring and other costs | **1.2** | 0.7 | **3.7** | 9.5 |
| Amortization of intangible assets arising from business combinations (1) | **0.1** | — | **0.2** | 0.1 |
| **Adjusted operating earnings** | **($0.7)** | $6.6 | **($24.4)** | ($7.8) |
| Depreciation and amortization (2) | **2.2** | 2.7 | **10.2** | 11.0 |
| **Adjusted operating earnings before depreciation and amortization** | **$1.5** | $9.3 | **($14.2)** | $3.2 |

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

**Reconciliation of operating earnings - Last eight quarters**

| | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions of dollars) | **Q4** | Q3 | Q2 | Q1 | **Q4** | Q3 | Q2 | Q1 |
| **Operating earnings** | **$80.5** | $50.2 | $55.9 | $47.2 | **$81.2** | $75.3 | $44.1 | $40.8 |
| Restructuring and other costs | **6.6** | 0.8 | 0.5 | 4.8 | **11.9** | 9.2 | 7.0 | 13.3 |
| Amortization of intangible assets arising from business combinations (1) | **17.1** | 16.4 | 16.2 | 16.6 | **17.0** | 17.6 | 17.4 | 18.0 |
| Impairment of assets | **0.7** | — | — | — | **—** | — | **—** | — |
| **Adjusted operating earnings** | **$104.9** | $67.4 | $72.6 | $68.6 | **$110.1** | $102.1 | $68.5 | $72.1 |
| Depreciation and amortization (2) | **35.6** | 34.3 | 34.4 | 37.1 | **36.7** | 37.2 | 35.8 | 36.9 |
| **Adjusted operating earnings before depreciation and amortization** | **$140.5** | $101.7 | $107.0 | $105.7 | **$146.8** | $139.3 | $104.3 | $109.0 |

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

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

| | Three months ended | |
|---|---|---|
| (in millions of dollars, except per share amounts) | **October 31, 2021** | October 25, 2020 |
| **Net earnings attributable to shareholders of the Corporation** | **$39.2** | $51.3 |
| Restructuring and other costs | **6.6** | 11.9 |
| Tax on restructuring and other costs | **(1.4)** | (3.7) |
| Amortization of intangible assets arising from business combinations (1) | **17.1** | 17.0 |
| Tax on amortization of intangible assets arising from business combinations | **(1.8)** | (4.1) |
| Impairment of assets | **0.7** | — |
| Tax on impairment of assets | **(0.2)** | — |
| Adjustment on additional taxes in other jurisdictions | **(0.3)** | — |
| Tax impact of a reorganization (2) | **10.7** | — |
| **Adjusted net earnings attributable to shareholders of the Corporation** | **$70.6** | $72.4 |
| **Net earnings attributable to shareholders of the Corporation per share** | **$0.45** | $0.59 |
| **Adjusted net earnings attributable to shareholders of the Corporation per share** | **$0.81** | $0.84 |
| Weighted average number of shares outstanding | **87.0** | 87.0 |

(1) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.
(2) During the year ended October 31, 2021, the Corporation carried out an internal reorganization which generated a deferred tax expense of $10.7 million.

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

| | Year ended | |
|---|---|---|
| (in millions of dollars, except per share amounts) | **October 31, 2021** | October 25, 2020 |
| **Net earnings attributable to shareholders of the Corporation** | **$130.6** | $131.7 |
| Restructuring and other costs | **12.7** | 41.4 |
| Tax on restructuring and other costs | **(3.7)** | (10.7) |
| Tax impact of the disposal | **—** | 11.7 |
| Amortization of intangible assets arising from business combinations (1) | **66.3** | 70.0 |
| Tax on amortization of intangible assets arising from business combinations | **(13.7)** | (17.1) |
| Impairment of assets | **0.7** | — |
| Tax on impairment of assets | **(0.2)** | — |
| Adjustment on additional taxes in other jurisdictions | **3.0** | — |
| Tax impact of a reorganization (2) | **10.7** | — |
| **Adjusted net earnings attributable to shareholders of the Corporation** | **$206.4** | $227.0 |
| **Net earnings attributable to shareholders of the Corporation per share** | **$1.50** | $1.51 |
| **Adjusted net earnings attributable to shareholders of the Corporation per share** | **$2.37** | $2.61 |
| Weighted average number of shares outstanding | **87.0** | 87.1 |

(1) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.
(2) During the year ended October 31, 2021, the Corporation carried out an internal reorganization which generated a deferred tax expense of $10.7 million.

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

| | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions of dollars, except per share amounts) | **Q4** | **Q3** | Q2 | Q1 | **Q4** | Q3 | Q2 | Q1 |
| **Net earnings attributable to shareholders of the Corporation** | **$39.2** | $28.1 | $35.6 | $27.7 | **$51.3** | $48.3 | $25.7 | $6.4 |
| Restructuring and other costs | **6.6** | 0.8 | 0.5 | 4.8 | **11.9** | 9.2 | 7.0 | 13.3 |
| Tax on restructuring and other costs | **(1.4)** | (0.4) | (0.6) | (1.3) | **(3.7)** | (2.6) | (2.2) | (2.2) |
| Tax impact of the disposal | **—** | — | — | — | **—** | — | — | 11.7 |
| Amortization of intangible assets arising from business combinations (1) | **17.1** | 16.4 | 16.2 | 16.6 | **17.0** | 17.6 | 17.4 | 18.0 |
| Tax on amortization of intangible assets arising from business combinations | **(1.8)** | (4.0) | (3.9) | (4.0) | **(4.1)** | (4.3) | (4.3) | (4.4) |
| Impairment of assets | **0.7** | — | — | — | **—** | — | — | — |
| Tax on impairment of assets | **(0.2)** | — | — | — | **—** | — | — | — |
| Adjustment on additional taxes in other jurisdictions | **(0.3)** | 3.3 | — | — | **—** | — | — | — |
| Tax impact of a reorganization (2) | **10.7** | — | — | — | **—** | — | — | — |
| **Adjusted net earnings attributable to shareholders of the Corporation** | **$70.6** | $44.2 | $47.8 | $43.8 | **$72.4** | $68.2 | $43.6 | $42.8 |
| **Net earnings attributable to shareholders of the Corporation per share** | **$0.45** | $0.32 | $0.41 | $0.32 | **$0.59** | $0.55 | $0.30 | $0.07 |
| **Adjusted net earnings attributable to shareholders of the Corporation per share** | **$0.81** | $0.51 | $0.55 | $0.50 | **$0.84** | $0.78 | $0.50 | $0.49 |
| Weighted average number of shares outstanding | **87.0** | 87.0 | 87.0 | 87.0 | **87.0** | 87.0 | 87.0 | 87.3 |

(1) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.
(2) During the year ended October 31, 2021, the Corporation carried out an internal reorganization which generated a deferred tax expense of $10.7 million.

**Reconciliation of net indebtedness**

| (in millions of dollars, except ratios) | **As at October 31, 2021** | As at October 25, 2020 |
|---|---|---|
| Long-term debt | **$778.2** | $790.4 |
| Current portion of long-term debt | **187.3** | 229.7 |
| Lease liabilities | **137.3** | 132.0 |
| Current portion of lease liabilities | **23.1** | 22.8 |
| Cash | **(231.1)** | (241.0) |
| **Net indebtedness** | **$894.8** | $933.9 |
| Adjusted operating earnings before depreciation and amortization (last 12 months) | **$454.9** | $499.4 |
| **Net indebtedness ratio** | **2.0 x** | 1.9 x |

## ANALYSIS OF CONSOLIDATED RESULTS - CUMULATIVE

### Revenues

Revenues increased by $69.4 million, or 2.7%, from $2,574.0 million in fiscal 2020 to $2,643.4 million in fiscal 2021. This increase is mainly attributable to the impact of the rise in the price of resin on the Packaging Sector, the impact of the 53rd week on the Corporation, acquisitions in the in-store marketing vertical in the Printing Sector and higher volume in the Packaging Sector. This increase was partially offset by the negative impact of the exchange rate variation on results and the disposal of the paper packaging operations in January 2020. A more detailed analysis of revenues is presented in the "Analysis of Sector Results - Cumulative" section.

### Operating and Other Expenses

Operating expenses increased by $113.9 million in fiscal 2021, or 5.5%, compared to fiscal 2020. This increase results from the hike in raw materials costs, especially the rise in the price of resin, the decrease in the Canada Emergency Wage Subsidy and higher volume in the Packaging Sector. All these factors were partially mitigated by the sale of the paper packaging operations in 2020 and measures taken by the Corporation to reduce costs and improve its operational efficiency.

Restructuring and other costs decreased by $28.7 million, from an expense of $41.4 million in fiscal 2020 to an expense of $12.7 million in fiscal 2021. This favourable variance is mainly attributable to the decrease in workforce reduction costs in the Printing Sector, costs related to the sale of the paper packaging operations in the first quarter of 2020 and a reduction in costs related to COVID-19.

Depreciation and amortization decreased by $8.9 million, from $216.6 million in fiscal 2020 to $207.7 million in fiscal 2021. This decline is mostly explained by the impact of the exchange rate variation and the disposal of the paper packaging operations in 2020.

### Operating Earnings

Operating earnings decreased by $7.6 million, or 3.1%, from $241.4 million in fiscal 2020 to $233.8 million in fiscal 2021. The decline in operating earnings is mostly explained by the temporary unfavourable impact of the rise in the price of resin, the decrease in the Canada Emergency Wage Subsidy, the unfavourable impact of the exchange rate variation and the increase in the stock-based compensation expense. All these factors were offset by the decrease in restructuring and other costs, higher volume in the Packaging Sector and operational efficiency initiatives in each sector.

Adjusted operating earnings decreased by $39.3 million, or 11.1%, from $352.8 million in fiscal 2020 to $313.5 million in fiscal 2021. A more detailed analysis of adjusted operating earnings is presented in the "Analysis of Sector Results - Cumulative" section.

### Net Financial Expenses

Net financial expenses decreased by $4.1 million, from $46.4 million in fiscal 2020 to $42.3 million in fiscal 2021. This favourable change is explained mainly by a reduction in net indebtedness.

### Income Taxes

Income taxes decreased by $2.2 million, from $63.2 million in fiscal 2020 to $61.0 million in fiscal 2021. This decrease is mainly attributable to lower operating earnings and their geographic distribution.

Adjusted income taxes decreased from $79.3 million in fiscal 2020, for an effective tax rate of 25.3%, to $64.9 million in fiscal 2021, for an effective tax rate of 23.9%. This decrease in adjusted income tax expense is attributable to the geographic distribution of revenues and lower adjusted operating earnings before income taxes.

### Net Earnings Attributable to Shareholders of the Corporation

Net earnings attributable to shareholders of the Corporation decreased by $1.1 million, or 0.8%, from $131.7 million in fiscal 2020 to $130.6 million in fiscal 2021. This decrease is mainly due to the decline in operating earnings caused by the above-mentioned factors, partially offset by the lower net financial expenses and income taxes. On a per share basis, net earnings attributable to shareholders of the Corporation went from $1.51 to $1.50, respectively, due to the above-mentioned items.

Adjusted net earnings attributable to shareholders of the Corporation decreased by $20.6 million, or 9.1%, from $227.0 million in fiscal 2020 to $206.4 million in fiscal 2021, mostly as a result of the decline in adjusted operating earnings, partially mitigated by lower adjusted income taxes and lower net financial expenses. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from $2.61 to $2.37, respectively.

## ANALYSIS OF CONSOLIDATED RESULTS - FOURTH QUARTER

### Revenues

Revenues increased by $120.1 million, or 18.3%, from $655.7 million in the fourth quarter of 2020 to $775.8 million in the corresponding period in 2021. This increase is mainly attributable to the impact of the rise in the price of resin on the results of the Packaging Sector, the effect of the 53rd week, higher volume in the Printing and Packaging Sectors and, to a lesser extent, the recent acquisition of BGI Retail Inc. This increase was partially offset by the negative impact of the exchange rate variation. A more detailed analysis of revenues is presented in the section "Analysis of Sector Results - Fourth Quarter".

### Operating and Other Expenses

Operating expenses increased by $126.4 million, or 24.8%, in the fourth quarter of 2021 compared to the corresponding period in 2020. This increase results from the hike in raw materials costs, especially the rise in the price of resin, the effect of the 53rd week, the decrease in the Canada Emergency Wage Subsidy and, to a lesser extent, higher volume in the the two main sectors.

Restructuring and other costs decreased by $5.3 million, from an expense of $11.9 million in the fourth quarter of 2020 to an expense of $6.6 million in the fourth quarter of 2021. This favourable effect is mainly attributable to lower workforce reduction costs in the Printing Sector and lower costs related to the COVID-19 pandemic.

Depreciation and amortization decreased by $1.0 million, from $53.7 million in the fourth quarter of 2020 to $52.7 million in the fourth quarter of 2021. This decline is mostly explained by the impact of the exchange rate variation.

### Operating Earnings

Operating earnings decreased by $0.7 million, or 0.9%, from $81.2 million in the fourth quarter of 2020 to $80.5 million in the fourth quarter of 2021. The decrease in operating earnings is mainly due to the decrease in the Canada Emergency Wage Subsidy compared to the corresponding period of the prior year as well as the unfavourable impact of the temporary rise in the price of resin and the exchange rate variation. These items were partially mitigated by the favourable impact of the additional week, the increase in volume and a better operational efficiency in the two main sectors as well as a decrease in restructuring and other costs.

Adjusted operating earnings decreased by $5.2 million, or 4.7%, from $110.1 million in the fourth quarter of 2020 to $104.9 million in the fourth quarter of 2021. A more detailed analysis of adjusted operating earnings is presented in the section "Analysis of Sector Results - Fourth Quarter".

### Net Financial Expenses

Net financial expenses increased by $2.2 million, from $9.7 million in the fourth quarter of 2020 to $11.9 million in the fourth quarter of 2021. This increase is due to an exchange gain in the fourth quarter of 2020 and the impact of the 53rd week.

### Income Taxes

Income taxes increased by $8.9 million, from $20.3 million in the fourth quarter of 2020 to $29.2 million in the fourth quarter of 2021. This increase is due mostly to the tax impact of an internal reorganization.

Adjusted income taxes decreased by $5.9 million, from $28.1 million in the fourth quarter of 2020, for an effective tax rate of 28.0%, to $22.2 million in the fourth quarter of 2021, for an effective tax rate of 23.7%. This decrease in adjusted income tax expense is attributable to a decrease in tax rate caused by the geographic distribution of revenues and, to a lesser extent, lower adjusted operating earnings before income taxes.

### Net Earnings Attributable to Shareholders of the Corporation

Net earnings attributable to shareholders of the Corporation decreased by $12.1 million, from $51.3 million in the fourth quarter of 2020 to $39.2 million in the fourth quarter of 2021. This decrease is mostly due to the above-mentioned increase in income taxes and the increase in financial expenses. On a per share basis, net earnings attributable to shareholders of the Corporation went from $0.59 to $0.45, respectively.

Adjusted net earnings attributable to shareholders of the Corporation decreased by $1.8 million, or 2.5%, from $72.4 million in the fourth quarter of 2020 to $70.6 million in the fourth quarter of 2021. This decrease is due to lower adjusted operating earnings and higher financial expenses, partially mitigated by the decrease in tax rate. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from $0.84 to $0.81, respectively.

## ANALYSIS OF SECTOR RESULTS - CUMULATIVE

(unaudited)

**Table #3:**

| (in millions of dollars) | Packaging | Printing | Other | Consolidated results |
|---|---|---|---|---|
| **Revenues - Year ended October 25, 2020** | **$1,418.7** | **$1,098.1** | **$57.2** | **$2,574.0** |
| Acquisitions/disposals and closures | (52.4) | 17.9 | — | (34.5) |
| Existing operations | | | | |
| Exchange rate effect | (78.7) | (2.6) | — | (81.3) |
| Organic growth (decline) (3) | 162.1 | 19.2 | 3.9 | 185.2 |
| **Revenues - Year ended October 31, 2021** | **$1,449.7** | **$1,132.6** | **$61.1** | **$2,643.4** |
| **Adjusted operating earnings (1) - Year ended October 25, 2020** | **$150.1** | **$210.5** | **$(7.8)** | **$352.8** |
| Acquisitions/disposals and closures | (0.8) | 1.2 | — | 0.4 |
| Existing operations | | | | |
| Exchange rate effect | (8.3) | 0.4 | (0.6) | (8.5) |
| Stock-based compensation | — | — | (8.3) | (8.3) |
| Organic growth (decline) (2)(3) | (15.3) | 0.1 | (7.7) | (22.9) |
| **Adjusted operating earnings (1) - Year ended October 31, 2021** | **$125.7** | **$212.2** | **($24.4)** | **$313.5** |

(1) Please refer to Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.
(2) The above results include the temporary unfavourable impact of the rise in the price of resin, and $29.5 million in Canada Emergency Wage Subsidy for the year ended October 31, 2021 compared to $58.5 million for the year ended October 25, 2020.
(3) The above results include revenues of $56.5 million for the 53rd week with a consequent effect on the adjusted operating earnings for the year ended October 31, 2021.

### Packaging Sector

Packaging Sector revenues increased by $31.0 million, from $1,418.7 million in fiscal 2020 to $1,449.7 million in fiscal 2021. This increase is mainly attributable to the rise in the price of resin, the impact of the 53rd week and, to a lesser extent, an increase in volume of approximately 2%. All these factors were partially offset by the unfavourable exchange rate effect of $78.7 million and the $52.4 million impact of the sale of the paper packaging operations in January 2020.

Adjusted operating earnings decreased by $24.4 million, from $150.1 million in fiscal 2020 to $125.7 million in fiscal 2021. This decrease is mainly due to the temporary impact of the rise in the price of resin, which has a positive effect on revenues but a negative effect on adjusted operating earnings, the unfavourable exchange rate effect and, to a lesser extent, the unfavourable impact of the Canada Emergency Wage Subsidy. All these factors were partially mitigated by the impact of the 53rd week, operational efficiency initiatives and the above-mentioned increase in volume. The sector's adjusted operating earnings margin decreased from 10.6% in fiscal 2020 to 8.7% in fiscal 2021, mainly due to the impact of the price of resin. Excluding the unfavourable impact of the price of resin, the adjusted operating earnings margin increased.

### Printing Sector

Printing Sector revenues increased by $34.5 million, from $1,098.1 million in fiscal 2020 to $1,132.6 million in fiscal 2021. The organic growth of $19.2 million is mainly explained by the impact of the 53rd week, partially offset by lower volume, mostly caused by the negative impact of the COVID-19 pandemic in the first six-month period of 2021. Revenues in fiscal year 2021 were also favourably impacted by acquisitions in the in-store marketing vertical.

Adjusted operating earnings increased by $1.7 million, from $210.5 million in fiscal 2020 to $212.2 million in fiscal 2021. This increase is mainly attributable to cost reduction initiatives, the impact of the 53rd week and the acquisition of BGI Retail Inc., partially offset by the significant unfavourable impact of the Canada Emergency Wage Subsidy. The sector's adjusted operating earnings margin decreased from 19.2% in fiscal 2020 to 18.7% in fiscal 2021. Excluding the Canada Emergency Wage Subsidy, margins would have increased from 14.8% in fiscal 2020 to 16.2% in 2021 as a result of operational efficiency initiatives.

### Other

Revenues increased by $3.9 million, from $57.2 million in fiscal 2020 to $61.1 million in fiscal 2021. This increase is attributable to higher volume in the Media Sector.

Adjusted operating earnings decreased by $16.6 million, from $(7.8) million in fiscal 2020 to $(24.4) million in fiscal 2021. This decrease is mainly due to the stock-based compensation expense and the decrease in the Canada Emergency Wage Subsidy.

## ANALYSIS OF SECTOR RESULTS - FOURTH QUARTER
(unaudited)

**Table #4:**

| (in millions of dollars) | Packaging | Printing | Other | Consolidated results |
|---|---|---|---|---|
| **Revenues - Fourth quarter of 2020** | **$344.2** | **$283.5** | **$28.0** | **$655.7** |
| Acquisitions/disposals and closures | — | 9.4 | — | **9.4** |
| Existing operations | | | | |
| Exchange rate effect | (14.9) | (1.1) | — | **(16.0)** |
| Organic growth (decline) (3) | 88.1 | 40.9 | (2.3) | **126.7** |
| **Revenues - Fourth quarter of 2021** | **$417.4** | **$332.7** | **$25.7** | **$775.8** |
| **Adjusted operating earnings (1) - Fourth quarter of 2020** | **$38.7** | **$64.8** | **$6.6** | **$110.1** |
| Acquisitions/disposals and closures | | 1.6 | — | **1.6** |
| Existing operations | | | | |
| Exchange rate effect | (1.5) | (0.4) | (0.1) | **(2.0)** |
| Stock-based compensation | — | — | (2.1) | **(2.1)** |
| Organic growth (decline) (2)(3) | 1.8 | 0.6 | (5.1) | **(2.7)** |
| **Adjusted operating earnings (1) - Fourth quarter of 2021** | **$39.0** | **$66.6** | **($0.7)** | **$104.9** |

(1) Please refer to Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.
(2) The above results include the temporary unfavourable impact of the rise in the price of resin, and $3.7 million in Canada Emergency Wage Subsidy for the fourth quarter of 2021 compared to $14.5 million for the fourth quarter of 2020.
(3) The above results include revenues of $56.5 million for the 53rd week with a consequent effect on the adjusted operating earnings for the year ended October 31, 2021.

### Packaging Sector
Packaging Sector revenues increased by $73.2 million, or 21.3%, from $344.2 million in the fourth quarter of 2020 to $417.4 million in the fourth quarter of 2021. This increase is mostly attributable to the impact of the rise in the price of resin, the impact of the 53rd week and an increase in volume of over 2%. These items were partially offset by the negative exchange rate effect.

Adjusted operating earnings increased slightly by $0.3 million, or 0.8%, from $38.7 million in the fourth quarter of 2020 to $39.0 million in the fourth quarter of 2021. This stability resulted mainly from operational efficiency initiatives, the above-mentioned increase in volume and the impact of the 53rd week. All these factors were partially offset by the temporary impact of the rise in the price of resin, which has a positive effect on revenues but a negative effect on adjusted operating earnings, the decrease in the Canada Emergency Wage Subsidy and the exchange rate effect. The sector's adjusted operating earnings margin went from 11.2% in the fourth quarter of 2020 to 9.3% in the fourth quarter of 2021, mainly due to the temporary impact of the price of resin. Excluding the unfavourable impact of resin, the adjusted operating earnings margin increased.

### Printing Sector
Printing Sector revenues increased by $49.2 million, or 17.4%, from $283.5 million in the fourth quarter of 2020 to $332.7 million in the fourth quarter of 2021. The increase is mainly attributable to the impact of the 53rd week, growth in sales resulting from the progressive reopening of the economy, the signing of new contracts and the recent acquisition of BGI Retail Inc.

Adjusted operating earnings increased by $1.8 million, or 2.8%, from $64.8 million in the fourth quarter of 2020 to $66.6 million in the fourth quarter of 2021. This increase is attributable to the impact of the additional week, growth in volume and operational efficiency initiatives. All these factors were partially offset by the significant unfavourable change in the Canada Emergency Wage Subsidy, which was significantly lower than in the corresponding period of the prior year. The sector's adjusted operating earnings margin decreased from 22.9% in the fourth quarter of 2020 to 20.0% in the fourth quarter of 2021 due to the Canada Emergency Wage Subsidy. Excluding this subsidy, margins would have been 18.4% in the fourth quarter of 2020 and 18.9% in the fourth quarter of 2021.

### Other
Revenues decreased by $2.3 million, from $28.0 million in the fourth quarter of 2020 to $25.7 million in the fourth quarter of 2021. This decrease is due to lower volume in the Education group caused by timing differences in demand compared to the third quarter within the educational books offering.

Adjusted operating earnings decreased by $7.3 million, from $6.6 million in the fourth quarter of 2020 to $(0.7) million in the fourth quarter of 2021, mainly due to the stock-based compensation expense, the impact of the 53rd week on head office costs and other non-controllable factors.

## SUMMARY OF QUARTERLY RESULTS

(unaudited)

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

**Table #5:**

| (in millions of dollars, except per share amounts) | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Q4** | Q3 | Q2 | Q1 | **Q4** | Q3 | Q2 | Q1 |
| | **14 weeks** | 13 weeks | 13 weeks | 13 weeks | **13 weeks** | 13 weeks | 13 weeks | 13 weeks |
| Revenues | **$775.8** | $621.6 | $623.3 | $622.7 | **$655.7** | $587.4 | $625.1 | $705.8 |
| Operating earnings before depreciation and amortization | **133.2** | 100.9 | 106.5 | 100.9 | **134.9** | 130.1 | 97.3 | 95.7 |
| Adjusted operating earnings before depreciation and amortization (1) | **140.5** | 101.7 | 107.0 | 105.7 | **146.8** | 139.3 | 104.3 | 109.0 |
| Adjusted operating earnings margin before depreciation and amortization (1) | **18.1 %** | 16.4 % | 17.2 % | 17.0 % | **22.4 %** | 23.7 % | 16.7 % | 15.4 % |
| Operating earnings | **$80.5** | $50.2 | $55.9 | $47.2 | **$81.2** | $75.3 | $44.1 | $40.8 |
| Adjusted operating earnings (1) | **104.9** | 67.4 | 72.6 | 68.6 | **110.1** | 102.1 | 68.5 | 72.1 |
| Adjusted operating earnings margin (1) | **13.5 %** | 10.8 % | 11.6 % | 11.0 % | **16.8 %** | 17.4 % | 11.0 % | 10.2 % |
| Net earnings attributable to shareholders of the Corporation | **$39.2** | $28.1 | $35.6 | $27.7 | **$51.3** | $48.3 | $25.7 | $6.4 |
| Net earnings attributable to shareholders of the Corporation per share | **0.45** | 0.32 | 0.41 | 0.32 | **0.59** | 0.55 | 0.30 | 0.07 |
| Adjusted net earnings attributable to shareholders of the Corporation (1) | **70.6** | 44.2 | 47.8 | 43.8 | **72.4** | 68.2 | 43.6 | 42.8 |
| Adjusted net earnings attributable to shareholders of the Corporation per share (1) | **0.81** | 0.51 | 0.55 | 0.50 | **0.84** | 0.78 | 0.50 | 0.49 |
| % of fiscal year | **35 %** | 21 % | 23 % | 21 % | **32 %** | 30 % | 19 % | 19 % |

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

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

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

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

## FINANCIAL POSITION, LIQUIDITY AND CAPITAL STRUCTURE
(unaudited)

**Table #6:**

| (in millions of dollars) | Three months ended<br>**October 31, 2021** | <br>October 25, 2020 | Year ended<br>**October 31, 2021** | <br>October 25, 2020 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid | **$142.7** | $135.5 | **$456.5** | $481.9 |
| Changes in non-cash operating items | **(23.6)** | (6.5) | **(81.8)** | (5.1) |
| Income taxes | **(26.4)** | (27.0) | **(59.4)** | (49.8) |
| Cash flows from operating activities | **$92.7** | $102.0 | **$315.3** | $427.0 |
| **Investing activities** | | | | |
| Business combinations, net of acquired cash | **$0.3** | ($1.7) | **$ (43.7)** | $ (9.4) |
| Business disposals | **—** | — | **—** | 232.1 |
| Acquisitions of property, plant and equipment | **(25.8)** | (15.4) | **(115.0)** | (79.2) |
| Disposals of property, plant and equipment | **0.1** | 1.0 | **1.0** | 1.2 |
| Increase in intangible assets | **(7.8)** | (4.7) | **(23.3)** | (18.3) |
| Cash flows from investing activities | **($33.2)** | ($20.8) | **($181.0)** | $126.4 |
| **Financing activities** | | | | |
| Increase in long-term debt, net of issuance costs | **$2.5** | $— | **$396.5** | $— |
| Reimbursement of long-term debt | **(187.1)** | (0.2) | **(409.0)** | (375.5) |
| Financial expenses paid on long-term debt | **(9.0)** | (10.0) | **(32.3)** | (42.6) |
| Repayment of principal on lease liabilities | **(6.2)** | (5.8) | **(23.7)** | (21.9) |
| Interest paid on lease liabilities | **(0.8)** | (0.9) | **(3.3)** | (3.1) |
| Exercise of stock options | **—** | — | **—** | 1.7 |
| Share redemptions | **—** | — | **—** | (7.1) |
| Dividends | **(19.6)** | (19.6) | **(78.3)** | (77.9) |
| Cash flows from financing activities | **($220.2)** | ($36.5) | **($150.1)** | ($526.4) |
| Effect of exchange rate changes on cash denominated in foreign currencies | **($0.2)** | ($1.0) | **$5.9** | $0.3 |
| Net change in cash | **($160.9)** | $43.7 | **($9.9)** | $27.3 |

| Financial position | As at October 31, 2021 | As at October 25, 2020 |
| --- | --- | --- |
| Net indebtedness (1) | **$894.8** | $933.9 |
| Net indebtedness ratio (1) | **2.0 x** | 1.9 x |
| Credit rating | | |
| DBRS | **BBB (low)** | BBB (low) |
| Outlook (2) | **Stable** | Negative |
| Standard and Poor's | **BBB-** | BBB- |
| Outlook (3) | **Stable** | Negative |

| Consolidated Statements of Financial Position | As at October 31, 2021 | As at October 25, 2020 |
| --- | --- | --- |
| Current assets | **$1,125.5** | $1,024.7 |
| Current liabilities | **692.3** | 677.5 |
| Total assets | **3,612.9** | 3,598.4 |
| Total liabilities | **1,848.6** | 1,859.8 |

(1) Please refer to Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.
(2) On May 3, 2021, the DBRS Limited rating agency (DBRS Morningstar) revised the Corporation's credit rating outlook from negative to stable.
(3) On February 9, 2021, the Standard & Poor's rating agency (S&P Global Ratings) revised the Corporation's credit rating outlook from negative to stable.

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

### Cash Flows from Operating Activities

Cash flows from operating activities decreased from $427.0 million in fiscal 2020 to $315.3 million in fiscal 2021. This decrease is mostly explained by changes in non-cash operating items, which are notably attributable to an unfavourable change in inventories in the Packaging Sector and, to a lesser extent, lower adjusted operating earnings and income taxes paid.

### Cash Flows from Investing Activities

Cash flows from investing activities went from a cash inflow of $126.4 million in fiscal 2020 to a cash outflow of $181.0 million in fiscal 2021. This change is mainly explained by the sale of the paper and woven polypropylene packaging operations to Hood Packaging Corporation for a total amount of US$180.1 million ($235.3 million) in 2020. In addition, the acquisition of BGI Retail Inc. and the increase in capital expenditures in the Packaging Sector during fiscal 2021 contributed to this change.

### Cash Flows from Financing Activities

Cash flows from financing activities went from a cash outflow of $526.4 million in fiscal 2020 to a cash outflow of $150.1 million in fiscal 2021. The change is mainly explained by the repayment of debt instruments in 2020 using excess cash flows from operating earnings and the disposal of the paper packaging operations.

### Debt Instruments

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

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

On March 31, 2021, the Corporation extended the maturity of its credit facility, with an available amount of US$25.0 million ($31.0 million), by one additional year, until March 2022, on the same terms.

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

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

On June 4, 2021, the Corporation issued a term loan amounting to US$120.0 million ($146.3 million) and maturing in June 2028.

During the third quarter of 2021, the Corporation also issued unsecured notes bearing interest at a fixed rate of 2.28%, amounting to $250.0 million and maturing in July 2026.

On August 3, 2021, the Corporation repaid the balance of US$150.0 million ($187.1 million) of tranche C of the U.S. dollar term loans maturing on November 1, 2021.

As at October 31, 2021, no amount had been drawn on the credit facilities and the availability under the credit facilities was $431.0 million.

Net indebtedness went from $933.9 million as at October 25, 2020 to $894.8 million as at October 31, 2021. This decrease is mostly explained by cash flows from operating activities and the lower exchange rate, partially offset by investments in property, plant and equipment, the acquisition of BGI Retail Inc. and all income tax, interest and dividend payments made during the fiscal year. Consequently, our net indebtedness ratio stood at 2.0x as at October 31, 2021 compared to 1.9x as at October 25, 2020, due to the above-mentioned items and lower adjusted operating earnings before depreciation and amortization.

## ANALYSIS OF FINANCIAL POSITION - FOURTH QUARTER

### Cash Flows from Operating Activities

Cash flows from operating activities decreased by $9.3 million, from $102.0 million in the fourth quarter of 2020 to $92.7 million in the fourth quarter of 2021. This decrease is mostly due to the change in working capital, which is largely explained by higher inventories compared to the fourth quarter of 2020.

### Cash Flows from Investing Activities

Cash flows from investing activities went from a cash outflow of $20.8 million in the fourth quarter of 2020 to a cash outflow of $33.2 million in the fourth quarter of 2021. This change is mainly explained by an increase in capital expenditures in the Packaging Sector.

### Cash Flows from Financing Activities

Cash flows from financing activities went from a cash outflow of $36.5 million in the fourth quarter of 2020 to a cash outflow of $220.2 million in the fourth quarter of 2021. This change is mostly explained by the long-term debt repayment of US$150.0 million ($187.1 million) of tranche C of the U.S. dollar term loans that was maturing.

### Contractual Obligations and Business Commitments

**Table #8:**

| Type of contract (in millions of dollars) | Carrying amount | Contractual cash flows | Less than 1 year | 1-3 years | 3-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | |
| Accounts payable and accrued liabilities | $435.0 | $435.0 | $435.0 | $— | $— | $— |
| Long-term debt | 965.5 | 1,054.2 | 207.5 | 310.1 | 278.8 | 257.8 |
| Lease liabilities | 160.4 | 175.6 | 25.7 | 44.8 | 38.1 | 67.0 |
| Other monetary liabilities, excluding contingent considerations | 16.6 | 16.6 | 0.4 | 16.2 | — | — |
| Contingent considerations | 10.0 | 10.0 | 2.0 | 8.0 | — | — |
| **Total non-derivative financial liabilities** | **$1,587.5** | **$1,691.4** | **$670.6** | **$379.1** | **$316.9** | **$324.8** |
| Derivative financial instruments | | | | | | |
| Interest rate swaps in liabilities | 9.5 | 9.5 | 2.2 | 7.3 | — | — |
| Cross-currency fixed interest rate swaps | 2.5 | 2.5 | — | — | 2.5 | — |
| Foreign exchange forward contracts in liabilities | 0.7 | 0.7 | 0.6 | 0.1 | — | — |
| Total return swaps | 1.4 | 1.4 | 1.4 | — | — | — |
| **Total contractual obligation** | **$1,601.6** | **$1,705.5** | **$674.8** | **$386.5** | **$319.4** | **$324.8** |

The Corporation expects to contribute $2.9 million to its defined benefit plans during the year ending October 30, 2022, considering that it plans to use letters of credit from its credit facilities to secure unpaid contributions for the solvency deficiency of the defined benefit plans. The actual amount paid may differ from the estimate based on the results of the actuarial valuations, investment returns, volatility in discount rates, regulatory requirements and other factors.

### Share Capital

**Table #7:**

| Shares Issued and Outstanding | As at October 31, 2021 | As at November 30, 2021 |
|---|---|---|
| **Class A** (Subordinate Voting Shares) | **73,112,144** | **73,011,944** |
| **Class B** (Multiple Voting Shares) | **13,912,826** | **13,912,826** |
| **Total Class A and Class B** | **87,024,970** | **86,924,770** |

On September 29, 2021, the Corporation was authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between October 1, 2021 and September 30, 2022, or at an earlier date if the Corporation concludes or cancels the offer, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 190,300 of its Class B Shares. Repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

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

During the year ended October 31, 2021, the Corporation repurchased and cancelled 200 of its Class A Subordinate Voting Shares at a weighted average price of $18.39, for a negligible total cash consideration. The excess of the total consideration over the carrying amount of the shares 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 October 31, 2021.

## RISKS AND UNCERTAINTIES

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

Risk management plays an important role in the Corporation's decisions with regards to acquisitions; capital investments, especially in research and development, asset disposals, plant consolidation and efforts to create synergies among operating sectors or other operating activities. It also guides decisions regarding cost reduction measures, product diversification, new market penetration and certain cash movements.

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

A report on the risk management program is reviewed regularly at the Management Committee and presented to the Audit Committee and Board of Directors. The Corporation also reassessed its risks by taking into account the impact that the COVID-19 pandemic has had and is likely to have in the future.

*Printing and Distribution of Paper Flyers – Impact of digital product development and adoption and impact of regulations or legislation on door-to-door distribution*

Printing and distribution of paper flyers represent a significant portion of the Corporation's revenues and earnings. Over the past few years, certain Canadian retailers increased their use of digital flyers, digital campaigns and loyalty programs. A major change in consumer habits or in the Corporation's retail customers' marketing strategy could result in a significant decrease in the number of pages or frequency for the paper flyers printed and distributed by the Corporation. An acceleration in adopting and producing digital products at the expense of paper flyers would have an adverse impact on the Corporation's financial results. In addition, with the COVID-19 pandemic, the weakening of the supply chain of certain of the Corporation's customers, which limits the number of products that can be offered to consumers, and limits to traffic in their stores for public health reasons, to which printed flyers contribute, could also cause a decrease in volume of printed flyers.

The Corporation offers a full range of distribution services, from preparation to door-to-door distribution, optimal order management and distribution list creation. Due to its significance, the success of the Printing Sector depends in part on the strength of the Corporation's distribution network and other systems implemented in Canada. Some cities in Quebec started to explore the possibility of amending their regulations to prohibit or limit the current opt-out model for distributing printed advertising materials. Should such regulations be adopted, the Corporation intends to seek to have them declared null and void on the grounds that they are discriminatory and also infringe the right to freedom of expression guaranteed by the Canadian Charter of Rights and Freedoms and the Quebec Charter of Human Rights and Freedoms and, with respect to the distribution of local weekly newspapers in addition to printed flyers, the right to information protected by the Quebec Charter. Should the Corporation fail to get such regulations declared null and void, this could have a negative impact on its business model and, consequently, net earnings. The Corporation works with public bodies and public opinion to demonstrate the benefits of flyers and the potential negative effect of such regulations on the value chain as a whole, namely households that can save money, stores, the survival of local newspapers, jobs and the Corporation.

Although the Corporation continuously works to improve the environmental responsibility of its products, various public bodies could consider the possibility of gradually reducing the use of single-use plastic bags, and the plastic bags used by the Corporation in distributing printed flyers could potentially be subject to such reduction. Other bodies intend to ban recyclable plastic bags for distribution and replace them with compostable plastic bags. Such changes could have an impact on the business model and, consequently, net earnings.

Lastly, the Corporation relies on independent suppliers to store its products and distribute them from door to door. If any subcontractor fails to properly store the Corporation's products or adequately and timely distribute them, this could have an adverse impact on net earnings. Delays in printed flyers distribution, strikes, transportation disruptions, such as severe weather, and slowdowns could also disrupt the Corporation's printed flyer and printed flyer distribution operations and have an adverse impact on its net earnings, financial position, cash flows and reputation.

*Long-term Organic Growth – Ability to generate organic growth and face competition*

The long sales cycle characterizing certain niches in which the Corporation operates represents a significant challenge to the ability to generate organic growth, especially in the Packaging Sector. In addition, the packaging industry is highly competitive. Competition is based on price, quality of products and services, innovation and product development, delivery times and the range of services offered. Some competitors have greater experience and technical know-how, more technically advanced production facilities, a larger sales force and more resources dedicated to product development, especially in terms of formats, types of packaging and environmental responsibility. The need to evolve with technological changes and make appropriate research and development investments could result in significant costs and have an adverse impact on the Corporation's growth rate in this industry. In the Printing Sector, the increased competition in the Canadian market, not to mention the presence of US-based competitors that could increase in Canada, could have an adverse impact on the Corporation's market share and financial results.

A few of the Corporation's customers may individually represent a significant portion of its revenues. It is the case, for instance, in flyer printing, where a few Canadian retailers may individually represent a significant portion of the Printing Sector's revenues. Certain customers in the Packaging Sector may also represent a significant portion of this Sector's revenues. A change in consumption habits of a major customer or the loss of a major customer could have an adverse impact on the Corporation's ability to generate organic growth and, consequently, an adverse impact on net earnings. The Corporation's current or potential customers could be acquired, and the acquirer might start to procure certain products from its current supplier. Customer consolidation could therefore also have an adverse impact on organic growth.

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

*Acquisitions – Ability to complete acquisitions in the packaging industry and properly integrate them*

The growth strategy in packaging is mainly based on the Corporation's ability to complete acquisitions. The Corporation must be able to target attractive opportunities, at a reasonable value, and compete with private equity companies and other companies in the packaging industry that are actively seeking acquisitions. The inability to properly identify opportunities and complete acquisitions could have an adverse impact on the Corporation's development.

Integrating acquisitions generally involves risks, and these risks may increase with the size, sector and type of acquisition. Integrating businesses could give rise to temporary disruptions in production, cause the Corporation to lose major contracts, influence its personnel retention or have an adverse impact on customer relationships. In addition, the identified synergies may not be fully realized or may take longer to materialize.

*Operational Disruption – An operational disruption could affect the ability to meet deadlines*

The Corporation increasingly concentrates the production of certain products in its most productive plants and, in the event of a disaster at one of these facilities, it could miss production deadlines. In addition, climate change could increase the frequency of natural catastrophes, thereby increasing the risk of disruption. The ability to meet deadlines could also be affected by major equipment failure, human error, supply problems for certain equipment parts, labour disputes, attacks or transportation problems. Higher absenteeism in one plant due to illness, work accidents or other causes could also adversely impact the ability to meet deadlines and contractual obligations. The COVID-19 pandemic adds the risk that a region or plant might be severely or more affected, which in turn would force its partial or total closure for a prolonged period. Certain customers of the Corporation are more reluctant to a situation of dependence to single site for the supply chain. This could have an adverse impact on the Corporation if it would cause a significant transfer of volume from its customers to a competitor. The magnitude of the impact of these risks on results will depend on certain factors, including the nature of the disruption, its duration and the plant affected by the disrupting event. However, the Corporation has implemented contingency plans for some facilities and holds insurance policies that could indemnify it against a portion of direct and indirect costs or losses related to certain disasters. In addition, the presence of a North American packaging and printing network enables the Corporation to qualify new plants for certain key products to ensure redundancy within its network.

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

Paper, resin, plastic film, ink and plates are the primary raw materials used by the Printing Sector and the Packaging Sector, and they represent a significant portion of the Corporation's costs. In addition, these sectors consume energy, more specifically electricity, natural gas and oil. A significant increase in raw materials prices, energy prices or transportation costs could have an adverse impact on operations. However, several agreements with the Corporation’s customers provide for sales price indexation based on fluctuations, usually with a delayed effect. The impact on net earnings will be influenced by the Corporation’s ability to rapidly adjust prices and improve its operational efficiency to offset the increases in raw materials prices or in transportation costs. In addition, the increase in these prices could have an adverse impact if it changes the purchasing habits of customers.

To ensure stable supplies at competitive prices for the Printing Sector and Packaging Sector, the Corporation has consolidated its paper, resin, plastic film and ink suppliers. Accordingly, the Corporation could also be exposed to a supply risk if some of its suppliers would experience financial instability or disruptions in their own operations or in their ability to provide raw materials.

*Resin Price Increase - A shortage of available resin could adversely affect our financial position*

Resin is one of the main raw materials used by the Packaging Sector. The instability of the market in which the Corporation operates is affected by various external factors such as the COVID-19 pandemic and climate disturbances, which are in large part beyond our control. Resin price fluctuations or a resin shortage could have an impact on the Corporation's operations, financial position and net earnings.

A resin shortage or our inability to pass through price increases to customers in due time could have an adverse impact on the Corporation's operations, financial position and net earnings.

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

In the normal course of its activities, the Corporation relies on the continuous and uninterrupted operation of its systems, data hosting centers, cloud computing systems and computer hardware. In addition, it receives, processes and transfers sensitive data, including confidential information about the Corporation, its customers and its suppliers. If the Corporation were to experience cyber threats, cyberattacks, breaches, unauthorized accesses, viruses or other security breaches, human errors, sabotage or other similar events, it could have an adverse impact on its activities, including system disruptions or breakdowns. This could also negatively impact results, cause considerable damage to the Corporation’s reputation, and potentially result in court actions.

The COVID-19 pandemic significantly changed employee work habits, and the Corporation has adopted a hybrid work model for its office employees. As the number of employees working remotely still remains significant, the Corporation notices an increased use of its computer systems and resources. This context, which affects many businesses around the world, contributes to an increase in cyberattack attempts. The nature of cyberattacks continuously evolves and becomes more refined, which increases the risk that the Corporation’s operations could be disrupted and its data compromised. In addition, it is possible that such an event might not be detected quickly enough to limit the extent of the breach or the damages. Furthermore, customers’ requirements with respect to protection against potential intrusions are becoming stricter. The obligation to comply with new requirements could also have a financial impact on the Corporation. Customers’ confidence in the security of the information held by the Corporation and transactions is crucial to maintain its reputation and competitiveness on the market.

*Recruiting and Retaining Talent – Difficulty to attract and retain employees in the main operating sectors*

Social and demographic trends observed on a global basis are making it more challenging to hire and retain personnel in most industries. The Corporation notices a diminishing pool of talent, an increase in professional mobility, an increase in technology use and a high demand for emerging skillsets. Considering that the Packaging Sector is the Corporation’s main growth driver, this risk is all the more important as it needs specific skills, including technical skills for product development to grow the Packaging Sector.

In addition, our ability to reward our employees through bonuses and other incentive programs depends on our financial performance. If such performance decreases, employee turnover may increase and be more significant in sectors that have already experienced a decrease in bonuses and other incentive programs due to their past performance.

*Economic Environment - Inflation risk*

The Corporation operates in a constantly evolving environment. Our operations could be impacted by the economic conditions in which the Corporation operates. As a result, if unemployment, interest or inflation rates fluctuate substantially or increase to significant levels, they could have an impact on customers' consuming trends and, accordingly, on the Corporation's operating activities, financial position and profitability.

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

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

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

*Compliance with Governmental Regulations – Amendments to regulations or adoption of new regulations*

The Corporation operates facilities throughout the world and is exposed to risks associated with different legal, political, tax, social, cultural, environmental and regulatory frameworks. It is subject to many regulations that may be amended by governmental authorities. Complying with amendments to regulations or stricter new regulations could result in a material decrease, both permanent and temporary, in revenues or a material cost increase for the Corporation. As a result of the development of the COVID-19 pandemic, the Corporation changed its health and safety practices throughout its facilities to comply with new local regulations. Despite the protocols put in place by the Corporation, the risk of spreading the COVID-19 virus remains. An outbreak in a workplace, even if local regulations are complied with, could have an adverse impact on the Corporation’s operations and reputation. The Corporation also benefits from certain government assistance programs. Any change in the rules for applying to these government programs could have a significant impact on the Corporation’s net earnings.

*Regulations – Safety and quality of packaging products for the food industry*

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

*Economic Cycles – Impact of economic cycles on product demand*

The Corporation’s activities are exposed to economic cycles and difficult market conditions as a significant portion of its printing revenues depends, directly or indirectly, on spending by advertisers. Global economic conditions, changes in consumers’ buying habits and significant structural changes, in particular the consolidation in some industries and the adoption of digital platforms, also affect the operations of the Corporation’s main customers, which could have an adverse impact on the products it offers. The Corporation operates in many countries, and the economic risks specific to each country may have an impact on results of operations. In addition, the COVID-19 pandemic could lead to a recession in many countries, in particular those where the Corporation operates. A future recession could exert pressure on the Corporation’s investment activities, its customers as well as product demand by its customers. These items would have an adverse impact on the Corporation’s net earnings.

*Data Confidentiality – Warehousing, using and protecting personal data*

Warehousing, using and protecting personal data are increasingly critical and the responsibilities of entities that process such information are expanding. Mismanagement of personal data could cause considerable damage to the Corporation’s reputation, and potentially result in court actions. The adoption of the General Data Protection Regulation by the European Union in May 2018, as well as the expected multiplication of similar regulatory frameworks in other jurisdictions, also increase regulatory compliance risk. The Corporation could have to incur significant costs to enhance its systems and thus prevent future events related to confidential data, which would have an impact on its earnings.

*Protection of Intellectual Property Rights – Failure of patents, trademarks and confidentiality agreements to protect intellectual property could adversely affect operations*

Protection of the Corporation's proprietary processes, equipment and other technology is important. Following its innovation-focused strategy, it is all the more crucial to protect its intellectual property rights, failing that the Corporation's competitive position may suffer, as competitors imitating its products and/or processes could offer them at prices that are more attractive than the Corporation's and significant costs might have to be incurred.

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

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

*Digital Product Adoption – Impact of digital product development and adoption on the demand for printed products other than flyers*

Digital platforms have become an essential means to reach consumers, and advertisers have a diverse selection of media channels in which to spend their advertising dollars. A decline in the share of printed products in aggregate advertising spending and in the number of readers of printed products towards digital products could result in a decrease in the demand for printed products. The COVID-19 pandemic could permanently change the behaviour of customers and accelerate the impact of digital platform development and adoption. This lower demand could have an adverse impact on the financial results of the newspaper, magazine, educational books and commercial product printing activities.

*Credit – Bad debts from certain customers*

Certain factors, such as economic conditions and changes within certain industries, could expose the Corporation to credit risk with respect to receivables from certain of its customers, thereby affecting negatively its ability to collect in accordance with the established terms of payment. The COVID-19 pandemic is disrupting many sectors of the global economy and, consequently, many of the Corporation's customers. The Corporation has strengthened its strict controls on credit, including a tighter monitoring of customers that are severely affected by the COVID-19 pandemic. Senior management regularly analyzes and examines the financial position of customers and applies rigorous evaluation procedures to all new customers. The Corporation establishes a specific credit limit for each customer and periodically reviews the limits for major customers or customers that are considered at risk. As well, the Corporation believes that it is protected against any concentration of credit through its products, customer base and geographic diversity. The Corporation also has a credit insurance policy covering certain customers for aggregated losses of up to $15.0 million per year in Canada and up to US$15.0 million per year in the United States. The policy contains the usual clauses and limits regarding the amounts that can be claimed by event and year of coverage.

*Imports and Exports – Import and export controls, duties, tariffs or taxes*

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

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

*Exchange Rates – Exchange rate fluctuations*

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

*Litigation, Respect of Privacy – The Corporation is subject to legal risks related to its activities*

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

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

*Interest Rates – Increase in market interest rates with respect to our financial instruments*

The Corporation is exposed to market risks related to increases in interest rates. The floating rate portion of the debt bears interest at rates based on LIBOR or bankers' acceptance rates. At the end of fiscal 2021, the fixed rate portion of the Corporation's long-term debt represented 67.9% of total debt.

*Liquidity - Availability of capital at a reasonable cost*

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

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

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

*Pension Plans – Impact of major market fluctuations on pension plan solvency*

As at October 31, 2021, almost all of the Corporation's active employees were participating in defined contribution pension plans. However, the risks related to the defined benefit pension plans, which are currently closed, are still assumed by the Corporation. Funding for defined benefit plans is based on actuarial estimates and is subject to limitations under applicable income tax and other relevant regulations. Actuarial estimates prepared during the year were based on assumptions related to projected employee compensation levels to the time of retirement and the expected long-term rate of return on pension plan assets. The defined benefit obligation, fair value of plan assets and plan asset composition are measured at the date of the annual financial statements. The Corporation continues to apply its investment strategy to limit the exposure of its assets to major fluctuations that would affect pension plan solvency.

*Taxation – Changes in tax legislation could adversely affect profitability*

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

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

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

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

*Impairment Tests – Impact of impairment tests on the value of assets*

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

*Control Held – Conflict of interest between the controlling shareholder and other shareholders*

As at October 31, 2021, Capinabel inc., a company controlled by Rémi Marcoux, directly or indirectly held 14.55% of shares outstanding and 71.54% of voting rights attached to the participating shares outstanding of the Corporation. Given the controlling stake of this shareholder, it is possible that in some situations the interests of the controlling shareholder might not correspond to the interests of other holders of participating shares of the Corporation.

## DISCLOSURE CONTROLS AND PROCEDURES

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

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

The effectiveness of the design and operation of the Corporation’s disclosure controls and procedures was evaluated as defined by *Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings* (“Regulation 52-109”) as at October 31, 2021. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer of the Corporation concluded that the design and operation of disclosure controls and procedures were effective as at October 31, 2021.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

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

The effectiveness of the design and operation of the Corporation's ICFR was evaluated as at October 31, 2021, in accordance with the framework and criteria set out in the document entitled "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013, a recognized control model, and the requirement of Regulation 52-109. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer of the Corporation concluded that the design and operation of ICFR were effective as at October 31, 2021.

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

In accordance with the provisions of Regulation 52-109, management has limited the scope of its design of the Corporation's disclosure controls and procedures and ICFR to exclude the controls, policies and procedures of BGI Retail Inc. ("BGI"); this exclusion is accepted by the Autorité des marchés financiers ("AMF") during the first year after the acquisition of a business, to give a corporation time to integrate the acquisition.

BGI is a full-service design and in-store solutions provider for retailers and leading global brands located in Paris, Ontario. Acquired June 1, 2021, BGI has generated $11.4 million in revenues, or 0.4% of the Corporation's consolidated results.

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

**Table #8:**
(unaudited)

| (in millions of dollars) | BGI Retail Inc. |
|---|---|
| **Statement of financial position** | **As at October 31, 2021** |
| Current assets | **$17.2** |
| Non-current assets | **75.3** |
| Current liabilities | **6.4** |
| Non-current liabilities | **42.1** |
| **Statement of earnings** | **Year ended October 31, 2021** |
| Revenues | **$11.4** |
| Operating earnings before depreciation and amortization | **2.4** |
| Operating earnings | **1.4** |

Please refer to Note 4 to the annual consolidated financial statements for the year ended October 31, 2021 for additional information on this acquisition.

During the year ended October 31, 2021, except for the information provided above, no change that has materially affected or is reasonably likely to affect the ICFR was brought to the attention of Management, including the President and Chief Executive Officer and the Chief Financial Officer of the Corporation.

## SUBSEQUENT EVENTS

### REIMBURSEMENT OF DEBT

On November 1, 2021, the Corporation repaid in advance the balance of $185.8 million (US$150.0 million) of tranche D of the U.S. dollar term loans.

### BUSINESS COMBINATION

On November 1, 2021, the Corporation acquired all the shares of H.S. Crocker Co., Inc. ("H.S. Crocker"), a manufacturer of die cut lids for the food industry and labels for the pharmaceutical industry located in Huntley, Illinois, and Exton, Pennsylvania. The Corporation will measure the fair value of H.S. Crocker's assets acquired and liabilities assumed in the coming quarters. This acquisition enables the Corporation to broaden its packaging solutions portfolio in the food sector as well as expand its the pharmaceutical and medical expertise in the specialized coating products offering.

## OUTLOOK

In the Packaging Sector, as a result of investing in new production equipment, signing new contracts and introducing new products on the market, we expect organic volume growth in fiscal year 2022, excluding the positive impact of the $53^{rd}$ week on the results for fiscal year 2021. Despite the impact of the appreciation of the Canadian dollar against the U.S. dollar, which should continue to have a negative impact on the sector's profitability for the first quarter of fiscal year 2022, we expect to post an increase in operating earnings for fiscal year 2022 compared to the prior fiscal year.

In the Printing Sector, we expect a continued recovery in printing volume. This anticipated recovery, combined with growth in our in-store marketing activities and other growth activities, gives us confidence about the outlook for revenue growth for fiscal year 2022, excluding the positive impact of the $53^{rd}$ week on the results for fiscal year 2021. In addition, excluding amounts related to the Canada Emergency Wage Subsidy and the impact of the $53^{rd}$ week on fiscal year 2021, we expect an increase in operating earnings for fiscal year 2022 compared to fiscal year 2021.

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

On behalf of Management,

*(s) Donald LeCavalier*
Chief Financial Officer

December 9, 2021

# Consolidated financial statements and notes

## MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

*(s) François Olivier*

President and Chief Executive Officer

*(s) Donald LeCavalier*

Chief Financial Officer

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# INDEPENDENT AUDITORS' REPORT

To the Shareholder of Transcontinental Inc.

## *Opinion*

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

- the consolidated statements of financial position as at October 31, 2021 and October 25, 2020
- the consolidated statements of earnings for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at October 31, 2021 and October 25, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

## *Basis for Opinion*

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

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

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

## *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended October 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matters to be communicated in our auditors' report.

## *Assessment of the recoverable amount of groups of cash generating units ("CGU") to which goodwill has been allocated*

### *Description of the matter*

We draw attention to Notes 2(m) and (v), 7 and 16 to the consolidated financial statements. The goodwill balance is $1,086.6 million. Goodwill acquired in a business combination is allocated to CGU (or group of CGUs) that will benefit from the synergies of the combination.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually, or more frequently if changes in circumstances indicate a potential impairment. An impairment loss is recognized if the carrying amount of a CGU (or group of CGUs) exceeds its estimated recoverable amount. Impairment losses are recognized in net earnings. Impairment losses recognized are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a pro rata basis.

The recoverable amount of a CGU (or group of CGUs) is the higher of its value in use and its fair value less costs of disposal. In determining the recoverable amount of the CGU (or group of CGUs) on a fair value less costs of disposal basis, the Entity uses significant assumptions including capitalization multiples and the budgeted earnings before interest, taxes, depreciation and amortization (EBITDA).

### *Why the matter is a key audit matter*

We identified the assessment of the recoverable amount of groups of CGU to which goodwill has been allocated as a key audit matter. This matter represented an area of significant risk of material misstatement for certain CGUs (or group of CGUs) due to the magnitude of the goodwill and the high degree of estimation uncertainty in determining the recoverable amount. In addition, significant auditor judgment and specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the Entity's determination of the recoverable amount of certain CGUs (or group of CGUs) to minor changes to significant assumptions.

### *How the matter was addressed in the audit*

The following are the primary procedures we performed to address this key audit matter.

We evaluated the appropriateness of the cash flow projections and the budgeted EBITDA used to establish the recoverable amount of the CGUs (or group of CGUs) by comparing them to the Entity's actual historical cash flows and EBITDA. We took into account the changes in conditions and events affecting the CGUs (or group of CGUs) to assess the adjustments or lack of adjustments, made by the Entity in arriving at cash flow projections and budgeted EBITDA to be generated by the CGUs (or group of CGUs).

We compared the historical forecasts of cash flow projections and budgeted EBITDA with actual results to assess the Entity's ability to accurately predict cash flow projections and budgeted EBITDA.

We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating:

- the appropriateness of capitalization multiples by comparing them to publicly available market data for comparable entities; and
- the reasonableness of the estimate of the recoverable amount of all CGUs (or group of CGUs) by comparing the sum of all recoverable amounts with the Entity's market capitalization and by comparing the budgeted EBITDA multiple to published EBITDA multiples for comparable entities.

### *Other Information*

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2021 Annual Report".

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

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

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

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2021 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

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

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

We also:

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG LLP*

Montréal, Canada

December 9, 2021

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

## CONSOLIDATED STATEMENTS OF EARNINGS

Years ended October 31, 2021 and October 25, 2020
(in millions of Canadian dollars, except per share data)

| | Notes | **October 31, 2021** | October 25, 2020 |
|---|---|---|---|
| Revenues | | **$ 2,643.4** | $ 2,574.0 |
| Operating expenses | 5 | **2,188.5** | 2,074.6 |
| Restructuring and other costs | 6 | **12.7** | 41.4 |
| Impairment of assets | | **0.7** | — |
| Operating earnings before depreciation and amortization | | **441.5** | 458.0 |
| Depreciation and amortization | 8 | **207.7** | 216.6 |
| Operating earnings | | **233.8** | 241.4 |
| Net financial expenses | 9 | **42.3** | 46.4 |
| Earnings before income taxes | | **191.5** | 195.0 |
| Income taxes | 10 | **61.0** | 63.2 |
| **Net earnings** | | **130.5** | 131.8 |
| Non-controlling interests | | **(0.1)** | 0.1 |
| **Net earnings attributable to shareholders of the Corporation** | | **$ 130.6** | $ 131.7 |
| Net earnings per share - basic and diluted | | **$ 1.50** | $ 1.51 |
| Weighted average number of shares outstanding - basic and diluted (in millions) | 23 | **87.0** | 87.1 |

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended October 31, 2021 and October 25, 2020
(in millions of Canadian dollars)

| | Notes | October 31, 2021 | October 25, 2020 [1] |
|---|---|---|---|
| **Net earnings** | | **$ 130.5** | $ 131.8 |
| **Other comprehensive income (loss)** | | | |
| **Items that will be reclassified to net earnings** | | | |
| **Net change related to cash flow hedges** | | | |
| Net change in the fair value of derivatives - Foreign exchange risk | 30 | **5.4** | 1.3 |
| Net change in the fair value of derivatives - Interest rate risk | 19 & 30 | **3.2** | (18.5) |
| Reclassification of the net change in the fair value of derivatives recognized in net earnings during the period | | **11.9** | 8.2 |
| Related income taxes (recovery) | | **5.4** | (2.4) |
| | 25 | **15.1** | (6.6) |
| **Cumulative translation differences** | | | |
| Net unrealized exchange gains (losses) on the translation of the financial statements of foreign operations | | **(93.2)** | 9.2 |
| Net gains (losses) on hedge of the net investment in foreign operations | 19 | **39.3** | (1.4) |
| Related income taxes (recovery) | | **4.1** | (0.4) |
| | 25 | **(58.0)** | 8.2 |
| **Items that will not be reclassified to net earnings** | | | |
| **Changes related to defined benefit plans** | | | |
| Actuarial gains on defined benefit plans | 28 | **21.7** | 12.9 |
| Related income taxes | | **5.3** | 3.4 |
| | 25 | **16.4** | 9.5 |
| **Other comprehensive income (loss)** | 25 | **(26.5)** | 11.1 |
| Comprehensive income | | **$ 104.0** | $ 142.9 |

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

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended October 31, 2021 and October 25, 2020
(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 25, 2020 | | **$ 640.0** | **$ 0.9** | **$ 1,107.2** | **$ (14.8)** | **$ 1,733.3** | **$ 5.3** | **$ 1,738.6** |
| **Net earnings** | | **—** | **—** | **130.6** | **—** | **130.6** | **(0.1)** | **130.5** |
| **Other comprehensive income** | 25 | **—** | **—** | **—** | **(26.5)** | **(26.5)** | **—** | **(26.5)** |
| **Shareholders' contributions and distributions to shareholders** | | | | | | | | |
| Dividends | 22 | **—** | **—** | **(78.3)** | **—** | **(78.3)** | **—** | **(78.3)** |
| Balance as at October 31, 2021 | | **$ 640.0** | **$ 0.9** | **$ 1,159.5** | **$ (41.3)** | **$ 1,759.1** | **$ 5.2** | **$ 1,764.3** |
| | | | | | | | | |
| Balance as at October 27, 2019 | | $ 641.9 | $ 1.1 | $ 1,069.9 | $ (25.9) | $ 1,687.0 | $ 4.2 | $ 1,691.2 |
| Impact of the transition to IFRS 16 | | **—** | **—** | **(13.2)** | **—** | **(13.2)** | **—** | **(13.2)** |
| Balance as at October 27, 2019 - adjusted | | **641.9** | **1.1** | **1,056.7** | **(25.9)** | **1,673.8** | **4.2** | **1,678.0** |
| **Net earnings** | | — | — | 131.7 | — | 131.7 | 0.1 | 131.8 |
| **Other comprehensive loss** | 25 | — | — | — | 11.1 | 11.1 | — | 11.1 |
| **Shareholders' contributions and distributions to shareholders** | | | | | | | | |
| Share redemptions | 22 | (3.8) | — | (3.3) | — | (7.1) | — | (7.1) |
| Exercise of stock options | | 1.9 | (0.2) | — | — | 1.7 | — | 1.7 |
| Dividends | 22 | — | — | (77.9) | — | (77.9) | — | (77.9) |
| **Business combinations** | | — | — | — | — | — | 1.0 | 1.0 |
| Balance as at October 25, 2020 | | $ 640.0 | $ 0.9 | $ 1,107.2 | $ (14.8) | $ 1,733.3 | $ 5.3 | $ 1,738.6 |

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

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Years ended October 31, 2021 and October 25, 2020
(in millions of Canadian dollars)

| | Notes | As at October 31, 2021 | As at October 25, 2020 |
|---|---|---|---|
| **Current assets** | | | |
| Cash | | **$ 231.1** | $ 241.0 |
| Accounts receivable | 11 | **496.1** | 461.2 |
| Income taxes receivable | | **16.9** | 13.4 |
| Inventories | 12 | **357.0** | 288.8 |
| Prepaid expenses and other current assets | | **24.4** | 20.3 |
| | | **1,125.5** | 1,024.7 |
| **Property, plant and equipment** | 13 | **689.7** | 712.4 |
| **Right-of-use assets** | 14 | **140.8** | 134.6 |
| **Intangible assets** | 15 | **513.0** | 568.5 |
| **Goodwill** | 16 | **1,086.6** | 1,098.8 |
| **Deferred taxes** | 10 | **18.6** | 24.2 |
| **Other assets** | 17 | **38.7** | 35.2 |
| | | **$ 3,612.9** | $ 3,598.4 |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 18 | **$ 439.2** | $ 399.7 |
| Provisions | 20 | **1.5** | 7.9 |
| Income taxes payable | | **28.9** | 8.4 |
| Deferred revenues and deposits | | **12.3** | 9.0 |
| Current portion of long-term debt | 19 | **187.3** | 229.7 |
| Current portion of lease liabilities | 14 | **23.1** | 22.8 |
| | | **692.3** | 677.5 |
| **Long-term debt** | 19 | **778.2** | 790.4 |
| **Lease liabilities** | 14 | **137.3** | 132.0 |
| **Deferred taxes** | 10 | **137.3** | 133.9 |
| **Provisions** | 20 | **0.6** | 0.3 |
| **Other liabilities** | 21 | **102.9** | 125.7 |
| | | **1,848.6** | 1,859.8 |
| **Equity** | | | |
| Share capital | 22 | **640.0** | 640.0 |
| Contributed surplus | | **0.9** | 0.9 |
| Retained earnings | | **1,159.5** | 1,107.2 |
| Accumulated other comprehensive loss | 25 | **(41.3)** | (14.8) |
| Attributable to shareholders of the Corporation | | **1,759.1** | 1,733.3 |
| Non-controlling interests | | **5.2** | 5.3 |
| | | **1,764.3** | 1,738.6 |
| | | **$ 3,612.9** | $ 3,598.4 |

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended October 31, 2021 and October 25, 2020
(in millions of Canadian dollars)

| | Notes | **October 31, 2021** | October 25, 2020 |
|---|---|---|---|
| **Operating activities** | | | |
| Net earnings | | **$ 130.5** | $ 131.8 |
| Adjustments to reconcile net earnings and cash flows from operating activities: | | | |
| Impairment of assets | 7 | **0.7** | — |
| Depreciation and amortization | 8 | **227.3** | 237.5 |
| Financial expenses on long-term debt and lease liabilities | 9 | **38.7** | 47.1 |
| Net losses on disposal of assets | | **0.6** | 3.1 |
| Net losses on business acquisitions and disposals | 6 | **—** | 3.1 |
| Income taxes | 10 | **61.0** | 63.2 |
| Net foreign exchange differences and other | | **(2.3)** | (3.9) |
| Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid | | **456.5** | 481.9 |
| Changes in non-cash operating items | 26 | **(81.8)** | (5.1) |
| Income taxes paid | | **(59.4)** | (49.8) |
| Cash flows from operating activities | | **315.3** | 427.0 |
| **Investing activities** | | | |
| Business combinations, net of acquired cash | 4 | **(43.7)** | (9.4) |
| Business disposals | 4 | **—** | 232.1 |
| Acquisitions of property, plant and equipment | 13 | **(115.0)** | (79.2) |
| Disposals of property, plant and equipment | 13 | **1.0** | 1.2 |
| Increase in intangible assets | 15 | **(23.3)** | (18.3) |
| Cash flows from investing activities | | **(181.0)** | 126.4 |
| **Financing activities** | | | |
| Increase in long-term debt, net of issuance costs | 19 & 26 | **396.5** | — |
| Reimbursement of long-term debt | 19 & 26 | **(409.0)** | (375.5) |
| Financial expenses paid on long-term debt | | **(32.3)** | (42.6) |
| Repayment of principal on lease liabilities | | **(23.7)** | (21.9) |
| Interest paid on lease liabilities | 9 | **(3.3)** | (3.1) |
| Exercise of stock options | 24 | **—** | 1.7 |
| Dividends | 22 | **(78.3)** | (77.9) |
| Share redemptions | 22 | **—** | (7.1) |
| Cash flows from financing activities | | **(150.1)** | (526.4) |
| Effect of exchange rate changes on cash denominated in foreign currencies | | **5.9** | 0.3 |
| Net change in cash | | **(9.9)** | 27.3 |
| Cash at beginning of year | | **241.0** | 213.7 |
| Cash at end of year | | **$ 231.1** | $ 241.0 |
| **Non-cash investing activities** | | | |
| Net change in capital asset acquisitions financed by accounts payable | | **$ (0.5)** | $ 2.5 |

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

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

# 1 GENERAL INFORMATION

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

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

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

# 2 SIGNIFICANT ACCOUNTING POLICIES

**Comparability between fiscal years**
The fiscal years ended October 31, 2021 and October 25, 2020 comprise 53 weeks and 52 weeks. respectively.

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

The accounting policies adopted in these annual consolidated financial statements are based on IFRS that were issued, in effect and adopted by the Corporation as at October 31, 2021. Any subsequent changes to the accounting policies that will be in effect in the Corporation's consolidated financial statements after October 31, 2021 could result in a restatement of these annual consolidated financial statements.

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

**a) Basis of measurement**
The consolidated financial statements have been prepared on a historical cost basis, except for the following items:
- derivative financial instruments and contingent considerations which have been measured at their fair value;
- the liability related to stock-based compensation which has been measured under IFRS 2 *Share-based payments*,
- defined benefit liabilities, which are measured at the net amount of the fair value of defined benefit plan assets and the present value of the obligations related to these plans; and
- lease liabilities, which are measured at the present value of future lease payments.

**b) Basis of consolidation**
The consolidated financial statements include the accounts of the Corporation and its subsidiaries. The accounting policies described have been applied consistently by all the subsidiaries for all periods presented in these consolidated financial statements.

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

The Corporation holds the following main subsidiaries:

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**c) Business combinations**

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

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

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

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

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

**d) Revenue recognition**

The Corporation recognizes revenues from the sale of goods or services when control over a good or service is transferred to the customer.

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

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

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

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

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

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

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

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

In the Media Sector, revenues are recognized as follows:

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**e) Income taxes**

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

i) Current tax

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

ii) Deferred tax

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

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

**f) Government assistance**

Government assistance is recognized when there is reasonable assurance that the Corporation will comply with the requirements of the approved grant or subsidy program and the Corporation, based on management's judgment, is reasonably certain that the government assistance will be received. Government assistance related to operating expenses, including salary grants, is recorded as a reduction of such expenses. Investment tax credits related to the purchase of property, plant and equipment or intangible assets are recorded as a reduction of the cost of the underlying asset. Investment tax credits related to operating expenses are recorded as a reduction of such expenses. Government assistance related to publishing activities is recorded as a reduction of publishing costs.

**g) Cash and cash equivalents**

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

**h) Inventories**

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

**i) Supplier rebates**

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

**j) Property, plant, equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes expenditures directly attributable to the acquisition of property, plant and equipment.

The costs, such as borrowing costs, incurred directly for the acquisition or construction of property, plant and equipment, are capitalized until the asset is ready for its intended use, and are depreciated over the useful life of the related asset. Property, plant and equipment under construction are not depreciated as long as they have not been put in service.

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

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

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**k) Leases**
The Corporation must assess, at inception of a contract, whether the contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

The right-of-use asset is initially measured at the cost of the corresponding lease liability, adjusted by any lease payments made at or before the commencement date, less any lease incentives received, plus if applicable, any initial direct costs incurred and an estimate of costs to be incurred for dismantling and removing the underlying asset and for restoring the site where it is located. The right-of-use asset is subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses, if applicable. The right-of-use asset is depreciated on a straight-line basis from the commencement date until the end of the lease term, except if the lease transfers ownership of the underlying asset to the Corporation by the end of the lease term or if the cost of the right-to-use asset reflects that the Corporation will exercise a purchase option. In such case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses and adjusted for any remeasurements of the lease liability. Right-of-use assets are tested for impairment at each reporting date if there is any indication that they may be impaired.

The lease liability is initially measured at the present value of future lease payments using the Corporation's incremental borrowing rate at the inception date, except when it is possible to determine the interest rate implicit in the lease. Lease payments are discounted over the lease term, which includes the fixed term and the renewal and termination options that the Corporation is reasonably certain to exercise.

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

The lease liability is remeasured, with a corresponding adjustment to the right-of-use asset, in the following cases:

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

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

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

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

**l) Intangible assets**

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

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**l) Intangible assets (continued)**

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

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

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

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

iii) Goodwill

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

**m) Impairment of non-financial assets**

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

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

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

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

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

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

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

The most recent detailed calculation made in a preceding period of the recoverable amount of a CGU (or group of CGUs) to which goodwill has been allocated may be used in the impairment test of that CGU (of group of CGUs) in the current period provided all of the following criteria are met:

- the assets and liabilities making up the CGU (or group of CGUs) have not changed significantly since the most recent recoverable amount calculation;
- the most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the CGU (or group of CGUs) by a substantial margin; and
- based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the CGU (or group of CGUs) is remote.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. When the restructuring of a defined benefit plan gives rise to the curtailment or settlement of obligations, the curtailment is recognized before the settlement.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**p) Employee benefits (continued)**

ii) Defined contribution pension plans, group registered savings plans and state plans

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

**q) Stock-based compensation**

The Corporation has stock option and share unit plans for certain officers, senior executives and directors.

i) Stock option plan

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

ii) Share unit plan for certain officers and senior executives

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

iii) Share unit plan for directors

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

**r) Foreign currency translation**

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

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

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**s) Financial instruments**

i) Classification and measurement of financial assets and financial liabilities
Financial assets and liabilities are initially recognized at fair value and their subsequent measurement depends on their classification.

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

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

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

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

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

ii) Impairment of financial assets
The Corporation recognizes expected credit losses on financial assets, and changes in such losses, at each reporting date to reflect changes in credit risk since the initial recognition of the financial assets. For accounts receivable, the Corporation applies the simplified approach permitted by IFRS 9, under which lifetime expected credit losses must be recognized upon initial recognition. For loans classified under "other receivables", the Corporation measures credit risk based on the 12- month expected credit risk if there has not been a significant increase in credit risk since initial recognition.

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

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

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

For derivative financial instruments designated as cash flow hedges, the effective portion of the hedging relationship is recognized in OCI and the ineffective portion is recognized in the Consolidated Statement of Earnings. The effective portion of an interest rate risk hedging relationship is reclassified to net earnings during the period in which the hedged interest payments are recognized in net earnings. The effective portion of a currency risk hedging relationship related to foreign currency sales is reclassified to net earnings during the period in which the sales are recognized in net earnings.

Derivative financial instruments designated as a hedge of the net investment in foreign operations are accounted for similarly to cash flow hedges. The effective portion of the net investment hedging relationship is reclassified to net earnings on the disposal or partial disposal of the foreign operation.

The Corporation may also use total return swaps to hedge the market risk related to the change in the price of Class A Shares for purposes of measuring the stock-based compensation liability. In accordance with the requirements of IFRS 9, total return swaps are classified in the "Fair value through profit or loss" category with subsequent measurement at fair value.

The Corporation does not designate these derivative financial instruments as cash flow hedging instruments and, consequently, changes in fair value are recognized in the Consolidated Statement of Earnings for the period under "Operating expenses" against stock-based compensation expenses (gains).

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**t) Derivative financial instruments and hedge accounting (continued)**
When hedging instruments mature before maturity, any gains or losses, revenues or expenses associated with the hedging instrument that had previously been recognized in OCI as a result of applying hedge accounting are deferred and recognized in net earnings in the period during which the hedged item affects net earnings. If the hedged item ceases to exist due to its maturity, expiry, cancellation or exercise, any gains or losses, revenues or expenses associated with the hedging instrument that had previously been recognized in OCI as a result of applying hedge accounting are recognized in the reporting period's net earnings.

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

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

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

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

i) Economic conditions
In the context of the COVID-19 pandemic and the related climate of economic uncertainty, the Corporation revised some of its most complex estimates and assumptions, including significant judgment areas, used in preparing the consolidated financial statements for the fiscal year ended October 31, 2021. The main estimates revised to reflect the impact of the COVID-19 pandemic on financial reporting were the determination of whether there was an indication that assets, CGUs or groups of CGUs may be impaired, the assumptions used in the establishment of their recoverable amount. when an impairment test was deemed necessary and for the annual impairment test of goodwill,and the assessment of the credit risk on receivables. Additional revisions might be required in the future depending on the development of the pandemic and its impact on the Corporation's results of operations and financial position, and this could have an impact on the final measurement of the carrying amount of the Corporation's assets.

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**v) Critical judgments and sources of estimation uncertainty (continued)**

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

IFRS 3 also requires the Corporation to make judgments to establish if an acquisition meets the definition of a business for purposes of determining whether it should be accounted for as a business combination or as an asset acquisition.

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

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

When a market-based method is used, the Corporation estimates the fair value of the CGU by multiplying EBITDA by a capitalization multiple that is based on market data.

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

iv) Revenue recognition method
Judgment is required to determine whether revenues should be recognized over time or at a point in time. The Corporation evaluates contracts with customers for whom it manufactures packaging products or to whom it provides custom printing services to determine whether the contract confers upon the Corporation an enforceable right to payment, in which case revenues should be recognized over time rather than at a point in time. For the year ended October 31, 2021, no significant contract met the criteria for recognition over time.

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

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

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

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**v) Critical judgments and sources of estimation uncertainty (continued)**

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

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

The Corporation also uses its judgment to determine whether an impairment test must be performed due to the existence of potential impairment indicators. In making its judgments, the Corporation relies primarily on its knowledge of its business and the economic environment. The Corporation also uses its judgment to determine the level at which goodwill is monitored for internal management purposes.

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

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

## 3 SEGMENTED INFORMATION

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

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

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

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

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

| **Year ended October 31, 2021** | Packaging | Printing | Other | Consolidated results |
|---|---|---|---|---|
| Revenues | $ **1,449.7** | $ **1,132.6** | $ **61.1** | $ **2,643.4** |
| Operating expenses | **1,250.2** | **863.0** | **75.3** | **2,188.5** |
| Restructuring and other costs | **0.9** | **8.1** | **3.7** | **12.7** |
| Impairment of assets | **0.4** | **0.3** | **—** | **0.7** |
| Operating earnings before depreciation and amortization | **198.2** | **261.2** | **(17.9)** | **441.5** |
| Depreciation and amortization | **133.8** | **63.5** | **10.4** | **207.7** |
| Operating earnings (1) | $ **64.4** | $ **197.7** | $ **(28.3)** | $ **233.8** |
| Adjusted operating earnings before depreciation and amortization (2) | $ **199.5** | $ **269.6** | $ **(14.2)** | $ **454.9** |
| Adjusted operating earnings (1) & (2) | **125.7** | **212.2** | **(24.4)** | **313.5** |
| Acquisitions of non-current assets (3) | $ **98.1** | $ **19.7** | $ **20.0** | $ **137.8** |

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

## 3 SEGMENTED INFORMATION (CONTINUED)

| Year ended October 25, 2020 | Packaging | Printing | Other | Consolidated results |
|---|---|---|---|---|
| Revenues | $ 1,418.7 | $ 1,098.1 | $ 57.2 | $ 2,574.0 |
| Operating expenses | 1,191.2 | 829.4 | 54.0 | 2,074.6 |
| Restructuring and other costs (gains) | (0.2) | 32.1 | 9.5 | 41.4 |
| Operating earnings before depreciation and amortization | 227.7 | 236.6 | (6.3) | 458.0 |
| Depreciation and amortization | 142.5 | 63.0 | 11.1 | 216.6 |
| Operating earnings (1) | $ 85.2 | $ 173.6 | $ (17.4) | $ 241.4 |
| Adjusted operating earnings before depreciation and amortization (2) | $ 227.5 | $ 268.7 | $ 3.2 | $ 499.4 |
| Adjusted operating earnings (1) & (2) | 150.1 | 210.5 | (7.8) | 352.8 |
| Acquisitions of non-current assets (3) | $ 54.7 | $ 27.9 | $ 17.4 | $ 100.0 |

(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 segment performance based on adjusted operating earnings. Adjusted operating earnings before depreciation and amortization and adjusted operating earnings exclude restructuring and other costs (gains), impairment of assets and amortization of intangible assets arising from business combinations (only for adjusted operating earnings as it relates to amortization of intangible assets arising from business combinations).

(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.

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

## 3 SEGMENTED INFORMATION (CONTINUED)

**Additional information on revenues**

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

| | October 31, 2021 | October 25, 2020 [1] |
|---|---|---|
| **Packaging products** [1] | | |
| Revenues generated from plants located in Canada | **$ 148.2** | $ 115.2 |
| Revenues generated from plants located in the United States | **1,090.0** | 1,104.7 |
| Revenues generated from plants located outside Canada and the United States | **211.5** | 198.8 |
| | **1,449.7** | 1,418.7 |
| **Printing services** [2] | | |
| Retailer-related services [3] | **597.6** | 624.6 |
| Marketing products | **260.5** | 208.8 |
| Magazines and books | **181.9** | 167.3 |
| Newspapers | **92.6** | 97.4 |
| | **1,132.6** | 1,098.1 |
| **Media** [2] | **78.2** | 71.7 |
| **Inter-segment sales** | **(17.1)** | (14.5) |
| | **$ 2,643.4** | $ 2,574.0 |

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

| | As at October 31, 2021 | As at October 25, 2020 |
|---|---|---|
| Packaging | **$ 2,200.7** | $ 2,238.9 |
| Printing | **1,000.4** | 926.3 |
| Other [4] | **411.8** | 433.2 |
| | **$ 3,612.9** | $ 3,598.4 |

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

[2] Revenues from printing services and media are mainly derived from transactions in Canada.

[3] Revenues from retailer-related services include printing, premedia and distribution services.

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

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

## 3 SEGMENTED INFORMATION (CONTINUED)

| | As at October 31, 2021 | As at October 25, 2020 |
|---|---|---|
| **Non-current assets** (1) | | |
| Canada | **$ 865.0** | $ 824.8 |
| United States | **1,354.7** | 1,439.5 |
| Other | **230.5** | 270.3 |
| | **$ 2,450.2** | $ 2,534.6 |

(1) These amounts include property, plant and equipment, intangible assets, right-of-use assets, goodwill and other non-current assets, and exclude derivative financial instruments, deferred taxes and defined benefit asset.

## 4 BUSINESS COMBINATIONS, ASSET ACQUISITION AND BUSINESS DISPOSALS

**Business combinations**

**Transaction for the year ended October 31, 2021**

- **BGI Retail**
  On June 1, 2021, continuing its expansion in the in-store marketing product printing vertical, the Corporation acquired all the shares of BGI Retail Inc. ("BGI"), a full service in-store design and solution partner for retailers and global brands located in Paris, Ontario, for a total consideration of $53.9 million, subject to adjustments, including a cash contingent consideration, having a fair value of $10.0 million, of up to a maximum of $22.5 million to be paid if predetermined financial performance thresholds are met. This acquisition supports the growth objective for the Corporation's in-store marketing product vertical.

  As at October 31, 2021, the provisional purchase price allocation for BGI, based on information available as at the date of these consolidated financial statements, led to the recognition of goodwill totaling $28.7 million. The recognized goodwill is not deductible for tax purposes. The purchase price allocation remains provisional for the year ended October 31, 2021 and will be finalized in the coming quarters.

  The Corporation's Consolidated Statement of Earnings for the year ended October 31, 2021 include the operating results of BGI since its acquisition date, namely additional revenues of $11.4 million and operating earnings before depreciation and amortization of $2.4 million, including adjustments related to the accounting of this acquisition and excluding negligible transaction costs. The fair value of acquired accounts receivables of $4.8 million is included in current assets recognized as part of the provisional accounting of this business combination.

  If the Corporation had acquired this entity at the beginning of the year ended October 31, 2021, revenues would have increased by $21.0 million and operating earnings before depreciation and amortization would have increased by $7.4 million.

**Transaction for the year ended October 25, 2020**

- **Artisan Complete**
  On January 10, 2020, the Corporation acquired 100% of the shares of Artisan Complete Limited Inc. ("Artisan Complete"), a Markham, Ontario company specialized in the creation of engaging retail environments, point-of-purchase displays and large format printing. This transaction supports the Corporation's strategy to continue growing in the in-store marketing product printing vertical. The transaction was completed for a purchase price of $12.5 million, before deducting certain liabilities repaid by the Corporation and including a $1.0 million purchase price holdback payable 18 months after the transaction's closing date provided that no compensation for damages is claimed by the Corporation during the reference period. As at October 31, 2021, the Corporation had paid a purchase price holdback of $0.9 million, net of a $0.1 million compensation for damages. The final measurement of the fair value of assets acquired and liabilities assumed led to the recognition of goodwill of $2.4 million. The recognized goodwill is not deductible for tax purposes.

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

## 4 BUSINESS COMBINATIONS, ASSET ACQUISITION AND BUSINESS DISPOSALS (CONTINUED)

**Business combinations (continued)**

The following table presents the fair value of the acquired companies' assets acquired and liabilities assumed at the acquisition date for the above-mentioned transactions:

| | **2021 acquisition** | 2020 acquisition |
|---|---|---|
| | **Provisional allocation** | Final allocation |
| **Assets acquired** | | |
| Cash acquired | **$ 0.2** | $ — |
| Current assets | **8.9** | 10.3 |
| Property, plant and equipment | **3.6** | 3.6 |
| Right-of-use assets | **14.4** | 5.5 |
| Intangible assets | **29.2** | 3.1 |
| Goodwill | **28.7** | 2.4 |
| | **$ 85.0** | $ 24.9 |
| **Liabilities assumed** | | |
| Current liabilities | **$ 8.6** | $ 6.2 |
| Long-term debt (including current portion) and other debt items assumed [1] | **—** | 4.1 |
| Lease liabilities (including current portion) | **14.4** | 5.5 |
| Deferred taxes | **8.1** | 0.7 |
| | **31.1** | 16.5 |
| | **$ 53.9** | $ 8.4 |
| **Total consideration** | | |
| Cash paid | **$ 43.9** | $ 7.4 |
| Current consideration payable | **2.0** | — |
| Long-term consideration payable | **8.0** | 1.0 |
| | **$ 53.9** | $ 8.4 |

[1] As at October 25, 2020, the Corporation had repaid in full the long-term debt and other debt items assumed of $4.1 million related to the acquisition of Artisan Complete.

**Asset acquisition**

**Transaction for the year ended October 25, 2020**

- **Enviroplast**
  On June 15, 2020, the Corporation acquired the assets of Enviroplast Inc. ("Enviroplast"), a company specializing in recycling flexible plastics in Québec. This acquisition represents a first step toward vertically integrating the recycling of plastics in the Packaging Sector production chain and supports the goal of creating a circular economy for plastic. The acquisition price was set at $2.4 million, excluding a contingent consideration payable that is based on achieving an operational performance threshold based on the annual recycled plastic production.

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

## 4 BUSINESS COMBINATIONS, ASSET ACQUISITION AND BUSINESS DISPOSALS (CONTINUED)

**Business disposals**

**Transaction for the year ended October 25, 2020**

- **Sale of paper and woven polypropylene packaging operations**
  On January 17, 2020, the Corporation completed the sale of its paper and woven polypropylene packaging operations to Hood Packaging Corporation pursuant to the final agreement announced on November 27, 2019. The sale transaction includes the assets related to paper packaging operations, including the buildings and equipment of four plants, as well as the assets related to the paper and woven polypropylene packaging operations of a plant located in South Carolina.

  For this sale transaction, the Corporation received a final cash consideration of $235.3 million (US$180.1 million) including working capital adjustments, but before transaction costs incurred for the transaction, which amounted to $3.2 million.

| | | |
|---|---|---|
| **Consideration received for the sale of the paper and woven polypropylene packaging operations** | | |
| Cash | $ | 235.1 |
| Transaction costs | | (3.2) |
| **Consideration received, net of transaction costs** | | 231.9 |
| Final working capital adjustments | | 0.2 |
| **Net consideration received** | | 232.1 |
| | | |
| **Assets and liabilities sold** | | |
| Current assets | | 62.1 |
| Property, plant and equipment [(1)] | | 74.4 |
| Intangible assets | | 56.7 |
| Goodwill | | 54.8 |
| Current liabilities | | (11.2) |
| **Assets and liabilities sold, net amount** | | 236.8 |
| | | |
| **Loss on disposal, before taxes** | | (4.7) |
| Tax impact of the disposal | | (11.7) |
| **Loss on disposal, after taxes** | $ | (16.4) |

[(1)] This amount also includes $0.3 million for short-term leases for equipment that was disposed of.

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

## 5 OPERATING EXPENSES

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

| | **October 31, 2021** | October 25, 2020 |
|---|---|---|
| Employee-related costs [(1)] | **$ 675.4** | $ 638.4 |
| Supply chain and logistics [(2)] | **1,401.9** | 1,321.5 |
| Other goods and services [(3)] | **111.2** | 114.7 |
| | **$ 2,188.5** | $ 2,074.6 |

[(1)] During the year ended October 31, 2021, the Corporation recognized under "Employee-related costs", against eligible salary expenses, subsidies claimed under the Canada Emergency Wage Subsidy program amounting to $29.5 million. For the year ended October 25, 2020, the amount recognized and claimed was $58.5 million. As at October 31, 2021, the Corporation had already received a portion of the subsidies claimed and continued to believe that there was reasonable assurance that the amount not yet received would be received from the Canadian federal government based on the fact that eligibility criteria were still met.

[(2)] "Supply chain and logistics" includes mainly production, other than employee-related costs, and distribution costs related to external suppliers.

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

The cost of goods sold recognized in operating expenses for the year ended October 31, 2021 was $1,734.6 million ($1,629.8 million for the year ended October 25, 2020). An amount of $2.9 million was recognized as inventory obsolescence expense for the year ended October 31, 2021 ($5.4 million for the year ended October 25, 2020).

## 6 RESTRUCTURING AND OTHER COSTS

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

| | Note | **October 31, 2021** | October 25, 2020 [(1)] |
|---|---|---|---|
| Workforce reductions [(2)] | | **$ 6.5** | $ 21.1 |
| Costs related to plant closures and restructuring [(2)] | | **2.8** | 6.0 |
| Net losses related to the sale of certain activities [(3)] | | **0.7** | 8.9 |
| Onerous contracts | | **1.3** | 0.5 |
| Business acquisition and integration costs [(4)] | | **1.5** | 3.4 |
| Fair value remeasurement of contingent considerations related to business combinations | 30 | **(3.4)** | (7.4) |
| Other items [(5)] | | **3.3** | 8.9 |
| | | **$ 12.7** | $ 41.4 |

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

[(2)] For the years ended October 31, 2021 and October 25, 2020, amounts presented under this caption include termination payments to employees as part of plant closures or workforce reorganizations, mainly in the Printing Sector, as well as related costs associated with such restructuring.

[(3)] For the year ended October 25, 2020, amounts presented under this caption mainly include the following items:
- A $1.3 million gain from a bargain purchase resulting from the final accounting of the acquisition of Trilex;
- A $4.7 million loss on the disposal of the paper and woven polypropylene packaging operations (Note 4); and
- A $3.8 million expense for receivables related to previous transactions.

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

[(5)] For the year ended October 25, 2020, amounts presented under this caption mainly include the following items:
- A $4.6 million gain related to insurance proceeds receivable for the replacement of equipment destroyed by fire, net of the loss on the derecognition of such asset; and;
- A $7.0 million expense for atypical additional costs incurred in relation with the COVID-19 pandemic.

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

## 7 IMPAIRMENT OF ASSETS

**Goodwill and intangible assets with indefinite useful life**

- **Combination of groups of CGUs**
  During the year ended October 31, 2021, the Corporation revised the determination of its groups of CGUs in the Printing Sector as a result of the development of this operating segment, the impact of the COVID-19 pandemic on this industry and the growth in in-store marketing solutions operations. During the last few fiscal years, management undertook restructuring initiatives to manage this operational platform in a more integrated manner and thereby optimize profitability and business opportunities. Decisions related to allocating production among production units are made to maximize the return of the overall Printing Sector. The groups of CGUs affected by these changes are the Retail, Newspaper and Premedia Group and the Magazine, Book and Catalog Group of the Printing Sector, which were combined, including the goodwill allocated to them, into a single group of CGUs called Printing Group. Prior to this combination, both groups of CGUs were separately tested for impairment and the Corporation concluded that these groups of CGUs were not impaired.

- **Annual goodwill impairment test**
  The Corporation performed its annual goodwill impairment test for all its groups of CGUs. In performing the annual goodwill impairment test, the carrying amount of groups of CGUs, including goodwill and intangible assets with an indefinite useful life, was compared to their recoverable amount. The Corporation concluded that the recoverable amount of groups of CGUs tested for impairment exceeded their carrying amount. As a result, no impairment charges were recognized for the year ended October 31, 2021 and the same conclusion had been reached for the impairment test performed during the year ended October 25, 2020.

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

  The fair value less costs of disposal was determined using capitalization multiples applied to the budgeted fiscal 2022 EBITDA for the group of CGUs concerned. The main assumptions used in this model include expected sales volumes, sales prices and estimated operating expenses ("cash flows") needed to establish EBITDA as well as capitalization multiples, which are derived from comparable companies whose activities are similar to the group of CGUs concerned.

  The following table presents the main groups of CGUs subject to a goodwill impairment test, the basis used for the recoverable amount and key assumptions used as at the date of the impairment test for the year ended October 31, 2021:

| | | Carrying amount of goodwill | Basis used for the recoverable amount | Capitalization multiple |
|---|---|---|---|---|
| **Packaging Sector** | | | | |
| Americas Group | $ | 669.8 | Fair value | 10.0 x |
| Coatings Group | | 66.4 | Fair value | 11.5 x |
| **Printing Sector** | | | | |
| Printing Group [1] | | 289.4 | Fair value | 4.5 x |
| Retail, Newspaper and Premedia Group [1] [2] | | 224.0 | Fair value | 4.5 x |
| Magazine, Book and Catalog Group [1] [2] | | 65.4 | Fair value | 5.0 x |
| Marketing Product Group | | 34.5 | Fair value | 5.0 x |

[1] Following the combination of groups of CGUs, the retail, newspaper and premedia operations and the magazine, book and catalog operations were combined to form the Printing Group.

[2] Represent the methods used to determine the recoverable amount and key assumptions used as at the date of the impairment test performed prior to the combination of groups of CGUs .

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

## 7 IMPAIRMENT OF ASSETS (CONTINUED)

- **Annual goodwill impairment test (continued)**
  The Corporation performed a sensitivity analysis on the most significant assumptions used to determine the recoverable amount for groups of CGUs subject to the impairment test.

  The sensitivity analysis shows that a decrease in capitalization multiples of 1.0x or a decrease in EBITDA of 17.5% would not change the conclusions of the impairment test.

  The Book Publishing Group and Business Solutions Group CGUs were validated as part of the impairment test as at October 31, 2021. The carrying amount of goodwill related to these CGUs is not significant compared to the total carrying amount of the Corporation's goodwill (Note 16).

**Intangible assets with an indefinite useful life**
The Corporation performed its annual impairment test for intangible assets with an indefinite useful life, which mainly comprise trade names acquired in book publishing business combinations. No impairment charges were recognized for the year ended October 31, 2021 and the same conclusion had been reached for the impairment test performed during the year ended October 25, 2020.

## 8 DEPRECIATION AND AMORTIZATION

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

| | **October 31, 2021** | October 25, 2020 |
|---|---|---|
| Property, plant and equipment | **$ 110.9** | $ 119.5 |
| Right-of-use assets | **23.0** | 20.2 |
| Intangible assets | **73.8** | 76.9 |
| | **207.7** | 216.6 |
| Intangible assets and other assets, recognized in revenues and operating expenses | **19.6** | 20.9 |
| | **$ 227.3** | $ 237.5 |

## 9 NET FINANCIAL EXPENSES

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

| | Note | **October 31, 2021** | October 25, 2020 |
|---|---|---|---|
| Financial expenses on long-term debt | | **$ 35.5** | $ 43.8 |
| Interest on lease liabilities | | **3.2** | 3.3 |
| Net interest on defined benefit asset and liability | 28 | **2.2** | 2.5 |
| Other expenses (revenues) | | **1.0** | (0.3) |
| Net foreign exchange losses (gains) | | **0.4** | (2.9) |
| | | **$ 42.3** | $ 46.4 |

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

# 10 INCOME TAXES

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

| | Note | **October 31, 2021** | October 25, 2020 |
|---|---|---|---|
| Earnings before income taxes | | **$ 191.5** | $ 195.0 |
| Canadian statutory tax rate [(1)] | | **26.50 %** | 26.52 % |
| Income taxes at the statutory tax rate | | **50.7** | 51.7 |
| Effect of differences in tax rates and additional income taxes in other jurisdictions | | **(5.3)** | 1.9 |
| Income taxes on non-deductible expenses and non-taxable revenues | | **(0.8)** | (2.6) |
| Tax impact of an internal reorganization [(2)] and non-deductible expenses related to the disposal | | **10.7** | 12.8 |
| Change in deferred tax assets on tax losses or temporary differences not previously recognized | | **(0.3)** | (0.1) |
| Adjustment for previous years' balances | | **6.2** | (0.5) |
| Other | | **(0.2)** | — |
| Income taxes at effective tax rate | | **$ 61.0** | $ 63.2 |
| | | | |
| Income taxes before the following items (Income taxes on adjusted net earnings): | | **$ 64.9** | $ 79.3 |
| Income taxes on amortization of intangible assets arising from business combinations | | **(13.7)** | (17.1) |
| Income taxes on impairment of assets | | **(0.2)** | — |
| Income taxes on restructuring and other costs (gains), excluding the tax impact of the disposal | | **(3.7)** | (10.7) |
| Tax impact of an internal reorganization [(2)] | | **10.7** | — |
| Adjustment on additional income taxes in other jurisdictions [(3)] | | **3.0** | — |
| Tax impact of the disposal | 4 | **—** | 11.7 |
| Income taxes at effective tax rate | | **$ 61.0** | $ 63.2 |

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

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

(3) Adjustment on additional income taxes in other jurisdictions related to a previous year.

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

## 10 INCOME TAXES (CONTINUED)

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

| | October 31, 2021 | October 25, 2020 |
|---|---|---|
| Current taxes | | |
| Current year | $ 69.3 | $ 53.2 |
| Adjustment for previous years' balances | 2.1 | (9.6) |
| | 71.4 | 43.6 |
| Deferred taxes | | |
| Adjustment for previous years' balances | 4.1 | 9.1 |
| Origination and reversal of temporary differences | (14.3) | 10.0 |
| Change in deferred tax assets on tax losses or temporary differences not previously recognized | (0.3) | (0.1) |
| Impact of tax rate changes | 0.1 | 0.6 |
| | (10.4) | 19.6 |
| Income taxes | $ 61.0 | $ 63.2 |

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

| | As at October 31, 2021 | | As at October 25, 2020 | |
|---|---|---|---|---|
| | Asset | Liability | Asset | Liability |
| Property, plant and equipment | $ — | $ 79.9 | $ — | $ 91.6 |
| Right-of-use assets, net of lease liabilities | 5.6 | — | 6.8 | — |
| Intangible assets and goodwill | — | 127.0 | — | 134.6 |
| Non-deductible provisions for the year | 18.6 | — | 15.8 | — |
| Deferred revenues | 0.8 | — | 1.5 | — |
| Long-term debt and derivative financial instruments | 0.2 | — | 7.1 | — |
| Defined benefit plans | 10.4 | — | 15.9 | — |
| Issuance of shares | 0.7 | — | 1.3 | — |
| Loss carryforwards | 26.5 | — | 44.1 | — |
| Interest expense | 21.4 | — | 22.0 | — |
| Other | 4.0 | — | 2.0 | — |
| | 88.2 | 206.9 | 116.5 | 226.2 |
| Offsetting of assets and liabilities | (69.6) | (69.6) | (92.3) | (92.3) |
| | $ 18.6 | $ 137.3 | $ 24.2 | $ 133.9 |

Loss carryforwards included in deferred tax assets expire between 2023 and 2041.

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

## 10 INCOME TAXES (CONTINUED)

Changes in deferred tax assets and liabilities for the year ended October 31, 2021 are as follows:

| | Balance as at October 25, 2020 | Recognized in net earnings | Exchange rate change | Recognized in other comprehensive loss | Business combinations | Balance as at October 31, 2021 |
|---|---|---|---|---|---|---|
| Property, plant and equipment | **$ (91.6)** | **$ 9.7** | **$ 2.7** | **$ —** | **$ (0.7)** | **$ (79.9)** |
| Right-of-use assets, net of lease liabilities | **6.8** | **(1.1)** | **(0.1)** | **—** | **—** | **5.6** |
| Intangible assets and goodwill | **(134.6)** | **9.0** | **6.0** | **—** | **(7.4)** | **(127.0)** |
| Non-deductible provisions for the year | **15.8** | **3.1** | **(0.3)** | **—** | **—** | **18.6** |
| Deferred revenues | **1.5** | **(0.7)** | **—** | **—** | **—** | **0.8** |
| Long-term debt and derivative financial instruments | **7.1** | **4.7** | **(0.8)** | **(10.8)** | **—** | **0.2** |
| Defined benefit plans | **15.9** | **0.1** | **(0.3)** | **(5.3)** | **—** | **10.4** |
| Issuance of shares | **1.3** | **(0.6)** | **—** | **—** | **—** | **0.7** |
| Loss carryforwards | **44.1** | **(15.4)** | **(2.2)** | **—** | **—** | **26.5** |
| Interest expense | **22.0** | **0.5** | **(1.0)** | **—** | **—** | **21.5** |
| Other | **2.0** | **1.1** | **0.8** | **—** | **—** | **3.9** |
| | **$ (109.7)** | **$ 10.4** | **$ 4.8** | **$ (16.1)** | **$ (8.1)** | **$ (118.7)** |

Changes in deferred tax assets and liabilities for the year ended October 25, 2020 are as follows:

| | Balance as at October 27, 2019 | Recognized in net earnings | Exchange rate change | Recognized in other comprehensive income (loss) | Impact of the transition to IFRS 16 | Business combinations | Balance as at October 25, 2020 |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | $ (85.5) | $ (5.1) | $ (0.2) | $ — | $ — | $ (0.8) | $ (91.6) |
| Right-of-use assets, net of lease liabilities | — | 0.7 | — | — | 5.3 | 0.8 | 6.8 |
| Intangible assets and goodwill | (159.4) | 27.0 | (1.4) | — | — | (0.8) | (134.6) |
| Non-deductible provisions for the year | 18.7 | (2.2) | 0.2 | — | (1.0) | 0.1 | 15.8 |
| Deferred revenues | 3.5 | (2.1) | 0.1 | — | — | — | 1.5 |
| Long-term debt and derivative financial instruments | 1.5 | 2.9 | (0.1) | 2.8 | — | — | 7.1 |
| Defined benefit plans | 19.4 | (0.1) | — | (3.4) | — | — | 15.9 |
| Issuance of shares | 2.5 | (1.2) | — | — | — | — | 1.3 |
| Loss carryforwards | 82.7 | (39.8) | 1.2 | — | — | — | 44.1 |
| Interest expense | 15.1 | 7.1 | (0.2) | — | — | — | 22.0 |
| Other | 8.5 | (6.8) | 0.2 | — | — | 0.1 | 2.0 |
| | $ (93.0) | $ (19.6) | $ (0.2) | $ (0.6) | $ 4.3 | $ (0.6) | $ (109.7) |

As at October 31, 2021, the Corporation had $3.8 million in capital losses that can be carried forward indefinitely and for which the potential benefits have not been recognized. In addition to losses for which the tax impact was recorded, the Corporation has deductible temporary differences as well as loss carryforwards in various jurisdictions for which, considering that it is unlikely that a sufficient future taxable income will be available to use a portion of those items, the Corporation has not recognized a deferred tax asset totaling $21.8 million. Loss carryforwards related to this unrecognized asset expire for the most part between 2022 and 2037.

As at October 31, 2021, no deferred tax liability was recognized for temporary differences arising from investments in subsidiaries because the Corporation controls the decisions affecting the realization of such liabilities and it is probable that the temporary differences will not reverse in the foreseeable future.

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

## 11 ACCOUNTS RECEIVABLE

The components of accounts receivable are as follows:

| | **As at October 31, 2021** | As at October 25, 2020 |
|---|---|---|
| Trade receivables | **$ 440.6** | $ 403.7 |
| Allowance account for credit losses | **(3.1)** | (7.4) |
| Other receivables | **58.6** | 64.9 |
| | **$ 496.1** | $ 461.2 |

## 12 INVENTORIES

The components of inventories are as follows:

| | **As at October 31, 2021** | As at October 25, 2020 |
|---|---|---|
| Raw materials | **$ 200.3** | $ 149.8 |
| Work in progress and finished goods | **172.7** | 153.1 |
| Provision for obsolescence | **(16.0)** | (14.1) |
| | **$ 357.0** | $ 288.8 |

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

## 13 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

| October 31, 2021 | Land | Buildings | Leasehold improvements | Machinery and equipment | Other equipment | Assets under construction and deposits on equipment | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Balance, beginning of year | $ 40.7 | $ 269.5 | $ 54.8 | $ 1,320.0 | $ 91.1 | $ 41.4 | $ 1,817.5 |
| Acquisitions | 1.6 | 11.0 | 3.7 | 30.4 | 3.7 | 64.1 | 114.5 |
| Made available for use | — | 3.9 | 1.3 | 43.5 | 1.6 | (50.3) | — |
| Business combinations (Note 4) | — | — | 0.1 | 3.3 | 0.2 | — | 3.6 |
| Disposals and retirement | — | (4.6) | (1.2) | (32.2) | (3.0) | — | (41.0) |
| Exchange rate change and other | (1.3) | (2.2) | (1.1) | (22.5) | (1.3) | (3.8) | (32.2) |
| Balance as at October 31, 2021 | $ 41.0 | $ 277.6 | $ 57.6 | $ 1,342.5 | $ 92.3 | $ 51.4 | $ 1,862.4 |
| **Accumulated depreciation and impairment losses** | | | | | | | |
| Balance, beginning of year | $ — | $ (131.0) | $ (33.5) | $ (863.2) | $ (77.4) | $ — | $ (1,105.1) |
| Depreciation | — | (12.0) | (4.3) | (89.1) | (5.5) | — | (110.9) |
| Disposals and retirement | — | 1.1 | 1.2 | 30.0 | 2.7 | — | 35.0 |
| Impairment | — | — | — | (0.7) | — | — | (0.7) |
| Exchange rate change and other | — | 0.3 | — | 7.8 | 0.9 | — | 9.0 |
| Balance as at October 31, 2021 | $ — | $ (141.6) | $ (36.6) | $ (915.2) | $ (79.3) | $ — | $ (1,172.7) |
| **Net carrying amount** | $ 41.0 | $ 136.0 | $ 21.0 | $ 427.3 | $ 13.0 | $ 51.4 | $ 689.7 |

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

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

| October 25, 2020 | Land | Buildings | Leasehold improvements | Machinery and equipment | Other equipment | Assets under construction and deposits on equipment | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Balance, beginning of year | $ 40.7 | $ 280.7 | $ 49.0 | $ 1,446.7 | $ 94.0 | $ 43.8 | $ 1,954.9 |
| Acquisitions | 0.1 | 3.0 | 0.9 | 25.2 | 2.2 | 50.3 | 81.7 |
| Made available for use | — | 2.8 | 2.2 | 42.1 | 3.2 | (50.3) | — |
| Business combinations (Note 4) | 2.6 | — | — | 3.4 | 0.2 | — | 6.2 |
| Business disposals (Note 4) | (2.7) | (16.5) | — | (73.4) | (0.8) | — | (93.4) |
| Disposals and retirement | — | (3.0) | (0.1) | (122.2) | (8.3) | — | (133.6) |
| Exchange rate change and other | — | 2.5 | 2.8 | (1.8) | 0.6 | (2.4) | 1.7 |
| Balance as at October 25, 2020 | $ 40.7 | $ 269.5 | $ 54.8 | $ 1,320.0 | $ 91.1 | $ 41.4 | $ 1,817.5 |
| **Accumulated depreciation and impairment losses** | | | | | | | |
| Balance, beginning of year | $ — | $ (122.6) | $ (28.2) | $ (904.1) | $ (79.9) | $ — | $ (1,134.8) |
| Depreciation | — | (12.7) | (5.2) | (95.8) | (5.8) | — | (119.5) |
| Business disposals (Note 4) | — | 1.2 | — | 17.9 | 0.2 | — | 19.3 |
| Disposals and retirement | — | 2.5 | — | 118.7 | 8.3 | — | 129.5 |
| Exchange rate change and other | — | 0.6 | (0.1) | 0.1 | (0.2) | — | 0.4 |
| Balance as at October 25, 2020 | $ — | $ (131.0) | $ (33.5) | $ (863.2) | $ (77.4) | $ — | $ (1,105.1) |
| **Net carrying amount** | $ 40.7 | $ 138.5 | $ 21.3 | $ 456.8 | $ 13.7 | $ 41.4 | $ 712.4 |

**Borrowing costs capitalized to property, plant and equipment**
For the years ended October 31, 2021 and October 25, 2020, negligible amounts were capitalized to property, plant and equipment as borrowing costs.

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

## 14 LEASES

The Corporation leases real estate properties (office or warehousing spaces and buildings for plants) and other assets (production equipment, office equipment and other). Leases for real estate properties usually have a fixed term of 1 to 10 years, while other types of leases usually have a fixed term of 1 to 5 years. Leases may include extension and/or termination options that are taken into account when it is reasonably certain that the option will be exercised. Lease provisions are negotiated on an individual basis and contain a wide variety of terms and conditions.

A number of leases entered into throughout the Corporation include extension and termination options. These options are intended to provide as much flexibility as possible in managing leases. Most extension and termination options may only be exercised by the Corporation and not by the lessor.

The Consolidated Statement of Financial Position presents the following amounts related to leases:

| | **As at October 31, 2021** | As at October 25, 2020 |
|---|---|---|
| **Right-of-use assets** | | |
| Real estate properties | **$ 137.3** | $ 129.9 |
| Other | **3.5** | 4.7 |
| | **$ 140.8** | $ 134.6 |
| **Lease liabilities** | | |
| Current portion of lease liabilities | **$ 23.1** | $ 22.8 |
| Non-current portion of lease liabilities | **137.3** | 132.0 |
| | **$ 160.4** | $ 154.8 |

For the years ended October 31, 2021 and October 25, 2020, additions to right-to-use assets totaled $31.7 million and $39.7 million, respectively.

The depreciation of right-of-use assets by class of underlying assets is detailed as follows for the years ended:

| | **October 31, 2021** | October 25, 2020 |
|---|---|---|
| Real estate properties | **$ 21.1** | $ 18.4 |
| Other | **1.9** | 1.8 |
| | **$ 23.0** | $ 20.2 |

For the years ended October 31, 2021 and October 25, 2020, the expense relating to short-term leases, leases of low-value assets and variable lease payments not included in lease liabilities was $6.5 million and $8.8 million respectively.

The Corporation entered into subleasing transactions for some of its spaces under leases. For the years ended October 31, 2021 and October 25, 2020, subleasing revenues totaled $3.3 million and $3.6 million respectively.

As at October 31, 2021, the average remaining term of leases was 8.3 years (9.1 years as at October 25, 2020) and the weighted average rate applied to lease liabilities was 1.93% (2.28% as at October 25, 2020).

Cash outflows for leases for the years ended October 31, 2021 and October 25, 2020, totaled $27.0 million and $25.0 million, respectively. Future lease payments are presented in Note 30.

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

## 15 INTANGIBLE ASSETS

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

| | Finite useful life | | | | Indefinite useful life | |
|---|---|---|---|---|---|---|
| **October 31, 2021** | Customer relationships | Book prepublication costs | Technology project costs | Others [(1)] | Trade names and others | Total |
| **Cost** | | | | | | |
| Balance, beginning of year | $ 747.3 | $ 160.7 | $ 54.3 | $ 22.7 | $ 8.5 | $ 993.5 |
| Additions (internally generated) | — | 12.5 | 9.5 | 0.7 | 0.6 | 23.3 |
| Business combinations (Note 4) | 29.0 | — | 0.2 | — | — | 29.2 |
| Retirement | — | (33.9) | (0.3) | — | — | (34.2) |
| Exchange rate change and other | (37.5) | 0.1 | 0.5 | 0.3 | — | (36.6) |
| Balance as at October 31, 2021 | $ 738.8 | $ 139.4 | $ 64.2 | $ 23.7 | $ 9.1 | $ 975.2 |
| **Accumulated amortization and impairment losses** | | | | | | |
| Balance, beginning of year | $ (236.5) | $ (133.6) | $ (34.9) | $ (20.0) | $ — | $ (425.0) |
| Amortization | (66.2) | (9.9) | (6.2) | (1.4) | — | (83.7) |
| Retirement | — | 33.9 | 0.3 | — | — | 34.2 |
| Exchange rate change and other | 12.0 | — | 0.2 | 0.1 | — | 12.3 |
| Balance as at October 31, 2021 | $ (290.7) | $ (109.6) | $ (40.6) | $ (21.3) | $ — | $ (462.2) |
| **Net carrying amount** | $ 448.1 | $ 29.8 | $ 23.6 | $ 2.4 | $ 9.1 | $ 513.0 |

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

## 15 INTANGIBLE ASSETS (CONTINUED)

| October 25, 2020 | Finite useful life: Customer relationships | Finite useful life: Book prepublication costs | Finite useful life: Technology project costs | Finite useful life: Other [(1)] | Indefinite useful life: Trade names | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance, beginning of year | $ 807.0 | $ 164.9 | $ 46.7 | $ 25.2 | $ 8.4 | $ 1,052.2 |
| Additions (internally generated) | — | 10.9 | 6.3 | 1.1 | — | 18.3 |
| Business combinations (Note 4) | 3.1 | — | — | — | — | 3.1 |
| Business disposals (Note 4) | (66.1) | — | — | — | — | (66.1) |
| Retirement | — | (15.1) | (0.3) | (3.1) | — | (18.5) |
| Exchange rate change and other | 3.3 | — | 1.6 | (0.5) | 0.1 | 4.5 |
| Balance as at October 25, 2020 | $ 747.3 | $ 160.7 | $ 54.3 | $ 22.7 | $ 8.5 | $ 993.5 |
| **Accumulated amortization and impairment losses** | | | | | | |
| Balance, beginning of year | $ (177.1) | $ (138.9) | $ (27.9) | $ (22.2) | $ 0.1 | $ (366.0) |
| Amortization | (69.8) | (9.8) | (6.3) | (0.8) | — | (86.7) |
| Business disposals (Note 4) | 9.4 | — | — | — | — | 9.4 |
| Retirement | — | 15.1 | 0.3 | 3.1 | — | 18.5 |
| Exchange rate change and other | 1.0 | — | (1.0) | (0.1) | (0.1) | (0.2) |
| Balance as at October 25, 2020 | $ (236.5) | $ (133.6) | $ (34.9) | $ (20.0) | $ — | $ (425.0) |
| **Net carrying amount** | $ 510.8 | $ 27.1 | $ 19.4 | $ 2.7 | $ 8.5 | $ 568.5 |

(1) The "Other" category mainly comprises educational book titles, non-compete agreements, development costs and acquired printing contracts.

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

## 16 GOODWILL

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

| | Note | **October 31, 2021** | October 25, 2020 |
|---|---|---|---|
| Balance, beginning of year | | **$ 1,098.8** | $ 1,145.3 |
| Business combinations | 4 | **28.7** | 2.3 |
| Impact of finalizing purchase price allocation calculations | 4 | **0.1** | (0.7) |
| Business disposals | 4 | **—** | (54.8) |
| Exchange rate change | | **(41.0)** | 6.7 |
| Balance, end of year | | **$ 1,086.6** | $ 1,098.8 |

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

| **Operating segments** | **As at October 31, 2021** | As at October 25, 2020 (1) |
|---|---|---|
| **Packaging Sector** | | |
| Americas Group | **$ 669.8** | $ 703.8 |
| Coatings Group | **66.4** | 73.4 |
| | **736.2** | 777.2 |
| **Printing Sector** | | |
| Printing Group (1) | **289.4** | — |
| Retail, Newspaper and Premedia Group (1) | **—** | 224.0 |
| Magazine, Book and Catalog Group (1) | **—** | 65.4 |
| Marketing Product Group | **34.5** | 5.7 |
| | **323.9** | 295.1 |
| **Other** | | |
| Book Publishing Group | **20.8** | 20.8 |
| Business Solutions Group | **5.7** | 5.7 |
| | **26.5** | 26.5 |
| | **$ 1,086.6** | $ 1,098.8 |

(1) During the year ended October 31, 2021, the Corporation revised the determination of its groups of CGUs, as described in Note 7. As part of this combination, the goodwill of the Magazine, Book and Catalog Group and the Retail, Newspaper and Premedia Group were combined to form the Printing Group.

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

## 17 OTHER ASSETS

The components of other assets are as follows:

| | Note | As at October 31, 2021 | As at October 25, 2020 |
|---|---|---|---|
| Contract acquisition costs | | **$ 7.7** | $ 12.1 |
| Defined benefit asset | 28 | **16.9** | 13.5 |
| Income tax credit receivable | | **5.5** | — |
| Other | | **8.6** | 9.6 |
| | | **$ 38.7** | $ 35.2 |

## 18 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

| | Notes | As at October 31, 2021 | As at October 25, 2020 |
|---|---|---|---|
| Accounts payable and other accruals | | **$ 255.2** | $ 224.5 |
| Salaries and other benefits payable | | **103.8** | 110.8 |
| Stock-based compensation | 24 | **22.3** | 8.0 |
| Derivative financial instruments | 30 | **4.2** | 0.8 |
| Financial expenses payable | | **4.0** | 2.8 |
| Other | | **49.7** | 52.8 |
| | | **$ 439.2** | $ 399.7 |

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

## 19 LONG-TERM DEBT

Long-term debt is as follows:

| | Effective interest rate as at October 31, 2021 | Maturity | **As at October 31, 2021** | As at October 25, 2020 |
|---|---|---|---|---|
| U.S. dollar term loans (issued in 2018) | 1.97 % | 2022-2023 | **$ 464.6** | $ 918.8 |
| U.S. dollar term loans (issued in 2021) | 2.02 | 2028 | **148.7** | — |
| Unsecured fixed-rate notes | 2.41 | 2026 | **250.0** | — |
| Unified Debenture | 4.84 | 2028 | **100.0** | 100.0 |
| Other loans | | 2026-2031 | **6.5** | 3.9 |
| Finance leases | | | **0.1** | 0.6 |
| | | | **969.9** | 1,023.3 |
| Issuance costs on long-term debt at amortized cost | | | **4.4** | 3.2 |
| Total long-term debt | | | **965.5** | 1,020.1 |
| Current portion of long-term debt | | | **187.3** | 229.7 |
| | | | **$ 778.2** | $ 790.4 |

As at October 31, 2021, an amount of $187.3 million was presented in Current liabilities, consisting mainly of tranche D of $185.8 million (US$150.0 million) maturing on May 1, 2022.

**New financings during the year ended October 31, 2021**
The Corporation issued a U.S. dollar term loan amounting to US$120.0 million ($146.3 million) and maturing in June 2028. This term loan bears interest at the U.S. base rate or LIBOR plus a margin of 0.85% and 1.85%, respectively. An amount of $0.4 million (US$0.3 million) is repayable each quarter until maturity. Issuance costs of $0.8 million were recognized as a reduction of long-term debt, and they will be amortized using the effective interest method over the life of the term loan.

The Corporation also issued unsecured notes bearing interest at a fixed rate of 2.28%, amounting to $250.0 million and maturing in July 2026. Issuance costs of $1.6 million were recognized as a reduction of long-term debt, and they will be amortized using the effective interest method over the life of the unsecured notes. Concurrently with this issuance, the Corporation entered into cross-currency fixed interest rate swaps amounting to $250.0 million (US$200.4 million) to convert the fixed rate on the unsecured notes of 2.28% into a fixed rate of 2.055% paid in U.S. dollars.

**Repayment of term loans**
On October 30, 2020, the Corporation repaid the remaining portion of US$62.5 million ($83.2 million) of tranche A of the U.S. dollar term loans (issued in 2018) that was maturing.

On April 30, 2021, the Corporation repaid the balance of US$112.5 million ($138.1 million) of tranche B of the U.S. dollar term loans (issued in 2018) that was maturing.

On August 3, 2021, the Corporation early repaid the balance of US$150.0 million ($187.1 million) of tranche C of the U.S. dollar term loans (issued in 2018) that was maturing on November 1, 2021.

**Credit facility extension**
The Corporation has a credit facility amounting to $400.0 million or the U.S. dollar equivalent, which was maturing in February 2025, and for which the maturity was extended on August 31, 2021 to February 2026, and modified some of its characteristics to add a sustainable development-related loan structure providing for a rate adjustment based on meeting targets associated with environmental, social and governance (ESG) factors, including diversity and reduction in greenhouse gas emissions. The other terms and conditions remained unchanged. The applicable interest rate on the credit facility is based on the credit rating assigned to the Corporation. According to the current credit rating, the rate is either the banker's acceptance rate or LIBOR, plus 1.675%, or the Canadian prime rate or U.S. base rate, plus 0.675%.

The Corporation has a credit facility with a maximum amount of US$25.0 million ($31.0 million), bearing interest at LIBOR plus 1.10%, which was expiring in March 2021 and for which maturity was extended for an additional year to March 2022 on the same terms.

As at October 31, 2021, no amount had been drawn on the credit facilities, and the unused amount under the credit facilities was $431.0 million.

The Corporation has revolving letters of credit facilities for an aggregate amount of $40.0 million. The fees applicable to the issued portion of these letters of credit facilities are 0.80% annually. As at October 31, 2021, letters of credit amounting to $23.3 million ($34.3 million as at October 25, 2020) were issued on these facilities, mainly to secure unpaid contributions with respect to the solvency deficiency of the Corporation's defined benefit plans (Note 28).

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

## 19 LONG-TERM DEBT

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

| | Principal payments |
|---|---|
| 2022 | $ 187.3 |
| 2023 | 280.5 |
| 2024 | 1.6 |
| 2025 | 1.6 |
| 2026 | 252.0 |
| After | 246.9 |
| | $ 969.9 |

**Hedging instruments**
During the year ended October 31, 2021, concurrently with the issuance of the $250.0 million unsecured fixed-rate notes, the Corporation entered into cross-currency fixed interest rate swaps amounting to $250.0 million (US$200.4 million) and maturing in July 2026, to convert into US dollars the proceeds of issuance of the unsecured notes received in Canadian dollars and fix the exchange rate that will be applicable upon repaying the unsecured notes at maturity. The Corporation applies hedge accounting to hedges of its net investment in foreign operations. As a result, the notional amount of cross-currency fixed interest rate swaps of $200.4 million was designated as a hedging instrument of the Corporation's net investment in foreign operations. Only the spot element is included in the hedging relationship, and the change in fair value is recognized in other comprehensive income. The forward element and the foreign currency basis spread are excluded from the hedging relationship. They are recognized in other comprehensive income as a hedge-related transaction cost and are then amortized to net earnings based on the settlement of interest payments on the cross-currency fixed interest rate swaps. As a result, during the year ended October 31, 2021, a $2.4 million loss was recognized in other comprehensive income. During the year ended October 31, 2021, a negligible amount for the forward element and the foreign currency basis spread was recognized in net earnings.

As at October 31, 2021, an amount of US$331.0 million ($410.0 million) of the term loans and existing credit facilities denominated in U.S. dollars had been designated by the Corporation as hedging instruments of its net investment in foreign operations (US$649.6 million, or $852.7 million as at October 25, 2020). As a result, during the years ended October 31, 2021 and October 25, 2020, a foreign exchange gain of $41.7 million and a foreign exchange loss of $1.4 million, respectively, were reclassified to other comprehensive income.

In the last few fiscal years, the Corporation has entered into interest rate swaps for an amount of US$450.0 million as a hedge against risks related to future fluctuations in interest rates on certain of its loans until their respective maturities. A US$75.0 million swap related to tranche C of the U.S. dollar term loans was settled upon the repayment of this tranche on August 3, 2021. The Corporation applies cash flow hedge accounting by designating these swaps as hedging instruments. Consequently, during the years ended October 31, 2021 and October 25, 2020, the change in fair value of these hedging instruments, namely a $3.2 million gain and an $18.5 million loss, respectively, was recognized in other comprehensive income.

The Corporation must comply with certain restrictive covenants, including maintaining certain financial ratios. During the year ended October 31, 2021, the Corporation has not been in default under any covenants.

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

## 20 PROVISIONS

The following table presents changes in provisions for the year ended October 31, 2021:

| | Restructuring costs | Onerous contracts | Other | Total |
|---|---|---|---|---|
| **Balance, beginning of year** | $ 7.6 | $ — | $ 0.6 | $ 8.2 |
| Provisions recorded | 6.6 | 1.4 | 1.4 | 9.4 |
| Amounts used | (12.9) | (1.1) | (1.4) | (15.4) |
| Provisions reversed | — | — | (0.2) | (0.2) |
| Business combinations | — | — | 0.1 | 0.1 |
| **Balance as at October 31, 2021** | $ 1.3 | $ 0.3 | $ 0.5 | $ 2.1 |
| Current portion | $ 1.3 | $ — | $ 0.2 | $ 1.5 |
| Non-current portion | — | 0.3 | 0.3 | 0.6 |
| | $ 1.3 | $ 0.3 | $ 0.5 | $ 2.1 |

**Restructuring costs**
The Corporation is implementing rationalization measures, including plant closures, in the Printing Sector to consolidate its printing platform.

## 21 OTHER LIABILITIES

The components of other liabilities are as follows:

| | Notes | **As at October 31, 2021** | As at October 25, 2020 |
|---|---|---|---|
| Deferred revenues | | **$ 1.1** | $ 2.1 |
| Accrued liabilities and other liabilities | | **14.2** | 7.5 |
| Stock-based compensation | 24 | **15.5** | 14.8 |
| Defined benefit liability | 28 | **62.2** | 76.0 |
| Derivative financial instruments | 30 | **9.9** | 25.3 |
| | | **$ 102.9** | $ 125.7 |

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

## 22 SHARE CAPITAL

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

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

| | **October 31, 2021** | | October 25, 2020 | |
|---|---|---|---|---|
| | **Number of shares** | **Amount** | Number of shares | Amount |
| **Class A Subordinate Voting Shares** | | | | |
| Balance, beginning of year | **73,049,344** | **$ 621.0** | 73,360,754 | $ 622.9 |
| Conversion of Class B Shares into Class A Subordinate Voting Shares | **63,000** | **0.1** | 3,800 | — |
| Income taxes on share issuance costs | **—** | **—** | — | — |
| Shares redeemed and cancelled | **(200)** | **—** | (450,450) | (3.8) |
| Exercise of stock options | **—** | **—** | 135,240 | 1.9 |
| Balance, end of year | **73,112,144** | **621.1** | 73,049,344 | 621.0 |
| **Class B Shares** | | | | |
| Balance, beginning of year | **13,975,826** | **19.0** | 13,979,626 | 19.0 |
| Conversion of Class B Shares into Class A Subordinate Voting Shares | **(63,000)** | **(0.1)** | (3,800) | — |
| Balance, end of year | **13,912,826** | **18.9** | 13,975,826 | 19.0 |
| | **87,024,970** | **$ 640.0** | 87,025,170 | $ 640.0 |

**Share redemptions**
On September 29, 2021, the Corporation has been authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between October 1, 2021 and September 30, 2022, or at an earlier date if the Corporation concludes or cancels the offer, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 190,300 of its Class B Shares. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

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

During the year ended October 31, 2021, the Corporation repurchased and cancelled 200 of its Class A Subordinate Voting Shares at a weighted average price of $18.39, for a negligible total cash consideration excess of the total consideration over the carrying amount of the shares 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 October 31, 2021.

During the year ended October 25, 2020, the Corporation repurchased and cancelled 450,450 of its Class A Subordinate Voting Shares at a weighted average price of $15.70, for a total cash consideration of $7.1 million. The excess of the total consideration over the carrying amount of the shares, in the amount of $3.3 million, was applied against retained earnings. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at October 25, 2020.

**Dividends**
Dividends of $0.900 and $0.895 per share were declared and paid to the holders of shares for the years ended October 31, 2021 and October 25, 2020, respectively.

## 23 NET EARNINGS PER SHARE

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

| | **October 31, 2021** | October 25, 2020 |
|---|---|---|
| **Numerator** | | |
| Net earnings | **$ 130.6** | $ 131.7 |
| **Denominator (in millions)** | | |
| Weighted average number of shares - basic and diluted | **87.0** | 87.1 |

For the years ended October 31, 2021 and October 25, 2020, there were no dilutive instruments.

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

## 24 STOCK-BASED COMPENSATION

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

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

| Number of units | **October 31, 2021** | October 25, 2020 | **October 31, 2021** | October 25, 2020 |
|---|---|---|---|---|
| | DSUs | | RSUs | |
| Balance, beginning of year | **547,645** | 435,890 | **1,093,533** | 868,893 |
| Units granted | **—** | 113,764 | **477,219** | 474,190 |
| Units cancelled | **(5,655)** | (12,128) | **(85,554)** | (61,457) |
| Units paid | **(6,979)** | (27,939) | **(100,068)** | (247,564) |
| Units converted | **8,303** | 6,805 | **—** | — |
| Dividends paid in units | **22,936** | 31,253 | **56,040** | 59,471 |
| Balance, end of year | **566,250** | 547,645 | **1,441,170** | 1,093,533 |

During the years ended October 31, 2021 and October 25, 2020, the Corporation gave an irreversible choice to the participants in the share unit plan for certain officers and senior executives to extend the vesting period of certain plan programs for a maximum of 12 months compared to the original vesting period. Changes in the vesting period resulted in a reversal of the liability to the corresponding expense of $0.6 million and $1.0 million for the years ended October 31, 2021 and October 25, 2020, respectively.

As at October 31, 2021, the liability related to the share unit plan for certain officers and senior executives was $31.5 million, of which $15.5 million is presented under "Other liabilities" ($16.5 million as at October 25, 2020, of which $14.8 million is presented under "Other liabilities"). Expenses recorded in the Consolidated Statements of Earnings for the years ended October 31, 2021 and October 25, 2020 were $17.4 million and $6.9 million, respectively. Amounts totaling $2.4 million and $3.8 million were paid under this plan for the years ended October 31, 2021 and October 25, 2020, respectively.

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

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

| Number of units | **October 31, 2021** | October 25, 2020 |
|---|---|---|
| Balance, beginning of year | **363,266** | 291,271 |
| Directors' compensation | **39,109** | 52,416 |
| Units paid | **(105,794)** | — |
| Dividends paid in units | **11,431** | 19,579 |
| Balance, end of year | **308,012** | 363,266 |

As at October 31, 2021, the liability related to the share unit plan for directors was $6.3 million ($6.3 million as at October 25, 2020). Expenses recorded in the Consolidated Statements of Earnings for the years ended October 31, 2021 and October 25, 2020 were $2.2 million and $1.6 million, respectively. Under this plan, an amount totaling $2.2 million was paid for the year ended October 31, 2021, and no amounts were paid for the year ended October 25, 2020.

**Total return swap**
During the years ended October 31, 2021 and October 25, 2020, the Corporation has entered into total return swaps, which have a term of 12 months and are renewable annually, on 1,200,000 units purchased at a weighted-average price of $20.75 and 950,000 units at a weighted-average price of $16.37, respectively, to hedge a portion of the stock-based compensation expenses (gains) that vary based on the price of the Corporation's shares. During the years ended October 31, 2021 and October 25, 2020, gains 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 $2.5 million and $0.2 million, respectively. Amounts totaling $5.0 million and $0.3 million were received under the total return swap during the years ended October 31, 2021 and October 25, 2020, respectively.

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

## 25 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

| | Cash flow hedges | Net investment hedges | Cumulative translation differences | Actuarial gains and losses related to defined benefit plans | Accumulated other comprehensive loss |
|---|---|---|---|---|---|
| **Balance as at October 25, 2020** [1] | **$ (16.4)** | **$ (10.1)** | **$ 40.3** | **$ (28.6)** | **$ (14.8)** |
| Net change in gains (losses), net of income taxes | **15.1** | **35.2** | **(93.2)** | **16.4** | **(26.5)** |
| **Balance as at October 31, 2021** | **$ (1.3)** | **$ 25.1** | **$ (52.9)** | **$ (12.2)** | **$ (41.3)** |
| **Balance as at October 27, 2019** | $ (9.8) | $ (9.1) | $ 31.1 | $ (38.1) | $ (25.9) |
| Net change in gains (losses), net of income taxes | (6.6) | (1.0) | 9.2 | 9.5 | 11.1 |
| **Balance as at October 25, 2020** [1] | $ (16.4) | $ (10.1) | $ 40.3 | $ (28.6) | $ (14.8) |

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

As at October 31, 2021, the amounts expected to be reclassified to net earnings in future years are as follows:

| | 2022 | 2023 | 2024 | Total |
|---|---|---|---|---|
| Net change in the fair value of derivatives designated as cash flow hedges | $ 3.0 | $ (5.1) | $ 0.3 | $ (1.8) |
| Income taxes | 0.8 | (1.4) | 0.1 | (0.5) |
| | $ 2.2 | $ (3.7) | $ 0.2 | $ (1.3) |

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

## 26 SUPPLEMENTAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

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

| | October 31, 2021 | October 25, 2020 (1) |
|---|---|---|
| Accounts receivable | $ (47.9) | $ 39.8 |
| Inventories | (73.5) | (16.1) |
| Prepaid expenses and other current assets | (0.1) | 0.6 |
| Accounts payable and accrued liabilities | 45.0 | (19.6) |
| Provisions | (7.3) | (6.9) |
| Deferred revenues and deposits | 1.2 | (3.0) |
| Defined benefit plans | 0.8 | 0.1 |
| | $ (81.8) | $ (5.1) |

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

The following table presents changes in financial liabilities for the year ended October 31, 2021 :

| | | | Non-cash changes | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Opening balance | Cash flows related to financing activities | Business acquisitions and disposals | Fair value adjustments additions(1) | Foreign exchange rate effect | Amortization of deferred financing fees | Accrued interest | Closing balance |
| U.S. dollar term loans Issued in 2018 | $ 918.8 | $ (408.4) | $ — | $ — | $ (45.8) | $ — | $ 1.0 | $ 465.6 |
| U.S. dollar term loans Issued in 2021 | — | 146.3 | — | — | 2.4 | — | 0.4 | 149.1 |
| Unsecured fixed-rate notes | — | 250.0 | — | — | — | — | 1.8 | 251.8 |
| Unified Debenture | 100.0 | — | — | — | — | — | 1.2 | 101.2 |
| Other external debts | 4.5 | 2.4 | — | (0.2) | (0.1) | — | — | 6.6 |
| Issuance costs on long-term debt at amortized cost | (3.2) | (2.8) | — | — | — | 1.6 | — | (4.4) |
| Lease liabilities | 154.8 | (27.0) | 14.4 | 17.2 | (2.3) | — | 3.3 | 160.4 |
| Contingent considerations | 3.5 | — | 10.0 | (3.4) | (0.1) | — | — | 10.0 |
| | $ 1,178.4 | $ (39.5) | $ 24.4 | $ 13.6 | $ (45.9) | $ 1.6 | $ 7.7 | $ 1,140.3 |

(1) Additions to lease liabilities include additions resulting from signing new contracts and modifying existing contracts, less early terminations amounting to $3.1 million.

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

## 27 RELATED PARTY TRANSACTIONS

**Key management personnel compensation**

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

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

| | **October 31, 2021** | October 25, 2020 |
|---|---|---|
| Salaries and other short-term benefits | **$ 8.9** | **$ 9.6** |
| Post-employment benefits | **0.8** | **0.7** |
| Stock-based compensation | **17.4** | **6.6** |
| | **$ 27.1** | $ 16.9 |

## 28 EMPLOYEE BENEFITS

The Corporation offers its employees various contributory and non-contributory defined benefit pension plans and other post-employment defined benefit plans, defined contribution pension plans, group registered savings plans and multi-employer pension plans. Since June 1, 2010, most of the employees participate only in the defined contribution pension plans. For the defined benefit plans, the amount of benefits is generally calculated based on the employees' years of service and salaries. Plan funding is calculated based on actuarial estimates and is subject to limitations under applicable income tax and other regulations. Actuarial estimates prepared during the year were based on assumptions related to projected employee compensation levels up to the time of retirement and the anticipated long-term rate of return on pension plan assets. For defined contribution pension plans, multi-employer pension plans and group registered savings plans, the sole obligation of the Corporation is to make the monthly employer's contribution. Certain obligations of the Corporation under the defined benefit plans are secured by letters of credit, drawn on the Corporation's credit facilities, which are pledged as collateral for unpaid contributions with respect to the solvency deficiency of the plans. The contributions paid by the Corporation to defined contribution pension plans are expensed in the period in which they are earned by employees. The assets of the Corporation's defined benefit pension plans are held in a trust. The Corporation recognizes the annual amounts related to its defined benefit pension plans using calculations based on various actuarial assumptions, in particular regarding discount rates, mortality rates and annual rates of return on plan assets. These estimates may vary significantly from period to period based on the return on plan assets, actuarial valuations and market conditions. The Corporation reviews its actuarial assumptions each year and revises them based on prevailing rates and current trends. The Corporation believes that the assumptions used to account for its accrued benefit obligation are reasonable based on its experience, market conditions and data provided by its external actuary and investment advisor.

In the United States, the defined benefit pension plans in which the Corporation's employees participated were closed to new participants before January 1, 2014. Consequently, the calculation of final benefits under the U.S. plans represented the benefits earned under the U.S. plans as of the date these plans stopped accepting new participants. Since then, new employees of the Corporation join 401(k)-type defined contribution pension plans. The obligations of the Corporation for this type of plan are limited to making the monthly employer's contribution.

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

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

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

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

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

## 28 EMPLOYEE BENEFITS (CONTINUED)

The most recent actuarial valuations of the Corporation's pension plans for funding purposes were done as at December 31, 2018 for plans registered in Quebec, as at December 31, 2019 for plans registered in Ontario and as at December 1, 2019 for plans registered in the United States.

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

| | Pension benefits | | Other defined benefit plans | | Total | |
|---|---|---|---|---|---|---|
| | **October 31, 2021** | October 25, 2020 (1) | **October 31, 2021** | October 25, 2020 (1) | **October 31, 2021** | October 25, 2020 |
| **Defined benefit obligation** | | | | | | |
| Balance, beginning of year | **$ 805.0** | $ 825.2 | **$ 13.4** | $ 15.6 | **$ 818.4** | $ 840.8 |
| Current service cost (2) | **—** | — | **0.6** | 0.5 | **0.6** | 0.5 |
| Past service cost | **0.1** | 0.2 | **—** | — | **0.1** | 0.2 |
| Interest cost on the defined benefit obligation | **22.0** | 24.6 | **0.7** | 0.7 | **22.7** | 25.3 |
| Actuarial gains or losses from: | | | | | | |
| Plan experience | **(1.7)** | 1.9 | **0.2** | (0.2) | **(1.5)** | 1.7 |
| Changes in demographic assumptions | **0.3** | (2.7) | **—** | — | **0.3** | (2.7) |
| Changes in financial assumptions | **(42.6)** | 25.5 | **(0.7)** | (2.1) | **(43.3)** | 23.4 |
| Defined benefit obligation extinguished on settlement | **(2.7)** | (9.2) | **—** | — | **(2.7)** | (9.2) |
| Benefits paid | **(64.7)** | (62.0) | **(1.4)** | (1.2) | **(66.1)** | (63.2) |
| Exchange rate change and other | **(5.4)** | 1.5 | **3.7** | 0.1 | **(1.7)** | 1.6 |
| Balance, end of year | **$ 710.3** | $ 805.0 | **$ 16.5** | $ 13.4 | **$ 726.8** | $ 818.4 |
| **Fair value of plan assets** | | | | | | |
| Balance, beginning of year | **$ 758.1** | $ 766.6 | **$ —** | $ — | **$ 758.1** | $ 766.6 |
| Interest income on plan assets | **20.6** | 22.8 | **—** | — | **20.6** | 22.8 |
| Actuarial gains (losses) on plan assets | **(22.8)** | 35.3 | **—** | — | **(22.8)** | 35.3 |
| Administrative costs (other than asset management costs) | **(2.6)** | (1.9) | **—** | — | **(2.6)** | (1.9) |
| Benefits paid | **(64.7)** | (62.0) | **(1.4)** | (1.2) | **(66.1)** | (63.2) |
| Employer contributions | **3.6** | 6.6 | **1.4** | 1.2 | **5.0** | 7.8 |
| Asset distributed on settlement | **(3.2)** | (10.2) | **—** | — | **(3.2)** | (10.2) |
| Exchange rate change and other | **(5.7)** | 0.9 | **—** | — | **(5.7)** | 0.9 |
| Balance, end of year | **$ 683.3** | $ 758.1 | **$ —** | $ — | **$ 683.3** | $ 758.1 |
| **Plan deficit** | **$ (27.0)** | $ (46.9) | **$ (16.5)** | $ (13.4) | **$ (43.5)** | $ (60.3) |
| Effect of the asset ceiling | **(1.8)** | (2.2) | **—** | — | **(1.8)** | (2.2) |
| **Defined benefit liability** | **$ (28.8)** | $ (49.1) | **$ (16.5)** | $ (13.4) | **$ (45.3)** | $ (62.5) |

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

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

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

## 28 EMPLOYEE BENEFITS (CONTINUED)

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

| | Notes | **As at October 31, 2021** | As at October 25, 2020 |
|---|---|---|---|
| Other assets | 17 | **$ 16.9** | $ 13.5 |
| Other liabilities | 21 | **(62.2)** | (76.0) |
| | | **$ (45.3)** | $ (62.5) |

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

| | **As at October 31, 2021** | As at October 25, 2020 |
|---|---|---|
| **Quoted in an active market** | | |
| Equity securities | | |
| Canadian and foreign equities and investment funds | **$ 137.4** | $ 122.5 |
| Debt securities | | |
| Government and corporate bonds and investment funds | **355.7** | 426.5 |
| Cash and cash equivalents and investment funds | **2.7** | 1.7 |
| | **495.8** | 550.7 |
| **Not quoted in an active market** | | |
| Real estate | **—** | 1.3 |
| Insured annuities | **187.5** | 206.1 |
| | **$ 683.3** | $ 758.1 |

For the years ended October 31, 2021 and October 25, 2020, the plan assets did not include any shares of the Corporation.

The matching strategy for the Corporation's assets and liabilities consists in minimizing risk through the purchase of insured annuities and debt securities. For the years ended October 31, 2021 and October 25, 2020, the plans invested in buy-in insured annuities. Their fair value is considered equal to the defined benefit obligation for participants targeted by the annuities purchases, calculated using assumptions applicable at the reporting date.

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

| | Pension benefits | | Other defined benefit plans | | Total | |
|---|---|---|---|---|---|---|
| | **As at October 31, 2021** | As at October 25, 2020 (1) | **As at October 31, 2021** | As at October 25, 2020 (1) | **As at October 31, 2021** | As at October 25, 2020 |
| Fair value of plan assets for funded or partially funded plans | **$ 683.3** | $ 758.1 | **$ —** | $ — | **$ 683.3** | $ 758.1 |
| Defined benefit obligation of funded or partially funded plans | **683.8** | 776.1 | **—** | — | **683.8** | 776.1 |
| Effect of the asset ceiling | **(1.8)** | (2.2) | **—** | — | **(1.8)** | (2.2) |
| **Funded status of funded or partially funded plans - deficit** | **$ (2.3)** | $ (20.2) | **$ —** | $ — | **$ (2.3)** | $ (20.2) |
| Defined benefit obligation of unfunded plans | **(26.5)** | (28.9) | **(16.5)** | (13.4) | **(43.0)** | (42.3) |
| **Total funded status - deficit** | **$ (28.8)** | $ (49.1) | **$ (16.5)** | $ (13.4) | **$ (45.3)** | $ (62.5) |

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

The Corporation expects to contribute $2.9 million to its defined benefit plans during the year ending October 30, 2022, considering that it plans to use letters of credit from its credit facilities to secure unpaid contributions for the solvency deficiency of the defined benefit plans. The actual amount paid may differ from the estimate based on the results of the actuarial valuations, investment returns, volatility in discount rates, regulatory requirements and other factors.

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

## 28 EMPLOYEE BENEFITS (CONTINUED)

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

| | As at October 31, 2021 | As at October 25, 2020 |
|---|---|---|
| Discount rate, end of year | | |
| Canada | **3.39 %** | 2.89 % |
| United States | **2.90** | 2.70 |
| Weighted average rate of compensation increase | | |
| Canada | **2.36** | 2.36 |

As at October 31, 2021, in Canada, the growth rate of health care costs for other post-employment defined benefit plans was estimated at 6.5%, gradually decreasing over 15 years to reach 4.5% and remain at this level afterwards.

The following table presents the impact of changes in the significant assumptions on the defined benefit obligation for the year ended October 31, 2021 and has some limitations. The sensitivities of each significant assumption have been calculated without taking into account any changes in the other assumptions. Actual results could therefore lead to changes in other assumptions simultaneously. Any change in one factor may result in changes in another factor, which could amplify or reduce the impact of changes in significant assumptions.

| Increase (decrease) | Defined benefit obligation |
|---|---|
| Impact of 10 bps increase in discount rate | $ (8.3) |
| Impact of 10 bps decrease in discount rate | 8.5 |
| Impact of 100 bps increase in growth rate of health care costs | 0.7 |
| Impact of 100 bps decrease in growth rate of health care costs | (0.6) |

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

| | | Pension benefits | | Other defined benefit plans | | Total | |
|---|---|---|---|---|---|---|---|
| | Note | **October 31, 2021** | October 25, 2020 | **October 31, 2021** | October 25, 2020 | **October 31, 2021** | October 25, 2020 |
| Current service cost | | **$ —** | $ — | **$ 0.6** | $ 0.5 | **$ 0.6** | $ 0.5 |
| Past service cost | | **0.1** | 0.2 | **—** | — | **0.1** | 0.2 |
| Administrative costs | | **2.6** | 1.9 | **—** | — | **2.6** | 1.9 |
| Loss on settlement | | **0.5** | 1.0 | **—** | — | **0.5** | 1.0 |
| **Plan cost recognized in net earnings** | | **3.2** | 3.1 | **0.6** | 0.5 | **3.8** | 3.6 |
| Interest cost on the defined benefit obligation | | **22.0** | 24.6 | **0.7** | 0.7 | **22.7** | 25.3 |
| Interest income on plan assets | | **(20.6)** | (22.8) | **—** | — | **(20.6)** | (22.8) |
| Interest on ceiling effect | | **0.1** | — | **—** | — | **0.1** | — |
| **Net interest on the defined benefit liability** | 9 | **1.5** | 1.8 | **0.7** | 0.7 | **2.2** | 2.5 |
| Actuarial gains | | **—** | — | **—** | 0.2 | **—** | 0.2 |
| **Remeasurement of the net defined benefit liability (asset)** | | **—** | — | **—** | 0.2 | **—** | 0.2 |
| **Defined benefit plan cost** | | **$ 4.7** | $ 4.9 | **$ 1.3** | $ 1.4 | **$ 6.0** | $ 6.3 |

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

## 28 EMPLOYEE BENEFITS (CONTINUED)

The following table presents the defined benefit plan costs recognized in the Consolidated Statements of Earnings for the years ended:

| | Note | **October 31, 2021** | October 25, 2020 |
|---|---|---|---|
| Costs recognized under "Operating expenses" | | **$ 3.2** | $ 2.4 |
| Net costs recognized under "Restructuring and other costs" | 6 | **0.6** | 1.2 |
| | | **$ 3.8** | $ 3.6 |

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

| | **October 31, 2021** | October 25, 2020 |
|---|---|---|
| Defined contribution pension plans | **$ 15.3** | $ 14.1 |
| State plans | **14.2** | 13.6 |
| | **$ 29.5** | $ 27.7 |

## 29 COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

**Commitments**
The Corporation leases real estate properties (office or warehousing spaces and buildings for plants) and other assets (production equipment, office equipment and other). Minimum payments related to most of the Corporation's lease commitments have been recognized as lease liabilities in the Statement of Financial Position. For more details, see Note 14.

As at October 31, 2021, the Corporation had commitments with suppliers for capital expenditures totaling $28.5 million.

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

**a) Indemnification of third parties**
Under the terms of debt agreements, the Corporation has agreed to indemnify the holders of such debt instruments against any increase in costs incurred or reduction in the amounts otherwise payable to them resulting from changes in laws and regulations. These indemnification commitments are in effect for the term of the agreements and have no limitations. Given the nature of these indemnification agreements, the Corporation is unable to estimate its maximum potential liability to third parties. Historically, the Corporation has not made any indemnification payments and, as at October 31, 2021, the Corporation had not recorded a liability associated with these indemnification agreements.

**b) Business disposals**
In connection with the disposal of operations or assets, the Corporation agreed to indemnify against any claims that may result from its previous activities or arise under in-force agreements at the transaction date. Given the nature of these indemnification agreements, the Corporation is unable to estimate its maximum potential liability to guaranteed parties. Historically, the Corporation has not made any significant indemnification payments and, as at October 31, 2021, the Corporation had not recorded any liability associated with these indemnification agreements.

**Contingent liabilities**
In the normal course of operations, the Corporation is involved in various claims and legal proceedings. Although the outcome of these pending cases as at October 31, 2021, cannot be determined with certainty, the Corporation considers that their outcome is unlikely to have a material adverse effect on its financial position and operating results, given the provisions or insurance coverage with regards to some of these claims and legal proceedings.

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

## 30 FINANCIAL INSTRUMENTS

**Credit risk**
Credit risk is the risk that the Corporation will incur losses arising from the failure of third parties to meet their contractual obligations. The Corporation is exposed to credit risk with regard to its accounts receivable and loans receivable, as well as through its normal activities involving cash. The Corporation's maximum exposure to credit risk for these elements is represented by their carrying amount in the Consolidated Statements of Financial Position. The Corporation is also exposed to credit risk with regard to its derivative financial instrument assets. However, the Corporation estimates this risk as low because it deals only with recognized financial institutions with investment-grade credit ratings. As at October 31, 2021 and October 25, 2020, the Corporation's maximum exposure to credit risk related to derivative financial instrument assets was low.

The Corporation regularly analyzes and examines the financial position of customers and applies rigorous evaluation procedures to all new customers. The Corporation establishes a specific credit limit for each customer and periodically reviews the limits for customers that are significant or considered at risk. As well, the Corporation believes that it is protected against any concentration of risk through its products, customer base and geographic diversity. The Corporation also has a credit insurance policy covering certain customers for aggregated losses of up to $15.0 million per year in Canada and up to US$15.0 million in the United States. The policy contains the usual clauses and limits regarding the amounts that can be claimed by event and year of coverage.

As at October 31, 2021, no single customer represented 10.0% or more of the revenues of the Corporation, or 10.0% or more of the related accounts receivable.

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

**a) Definition of default**
The Corporation considers the following items as a default for internal credit risk management purposes, as past experience indicates that financial assets meeting any of these conditions are generally not recoverable:

- breaches of financial covenants by a debtor;
- information prepared internally or from external sources indicating that it is unlikely that the debtor will fully repay its creditors, including the Corporation (without considering any collateral held by the Corporation).

**b) Write-down policy**
The Corporation writes down the value of a financial asset when information indicates that the debtor has significant financial difficulties and there are no realistic prospects of recovery, for instance at the earliest of when the debtor is in liquidation or enters into bankruptcy proceedings or, in the case of accounts receivable, when amounts more than 12 months past due. Derecognized financial assets may continue to be subject to measures under the Corporation's recovery procedures, based on legal advice, if applicable. Amounts recovered are recognized in net earnings.

Receivables are detailed as follows:

| **Trade receivables** | **As at October 31, 2021** | As at October 25, 2020 [1] |
|---|---|---|
| Current balance | **$ 383.8** | $ 324.5 |
| 1 - 30 days past due | **34.8** | 48.4 |
| 31 - 60 days past due | **8.1** | 11.1 |
| More than 60 days past due | **13.9** | 19.7 |
| | **440.6** | 403.7 |
| Allowance account for credit losses | **(3.1)** | (7.4) |
| | **$ 437.5** | $ 396.3 |

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

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

| | Note | **October 31, 2021** | October 25, 2020 |
|---|---|---|---|
| **Balance, beginning of year** | | **$ 7.4** | $ 5.2 |
| Business combinations | 4 | **—** | 0.1 |
| Loss allowance for credit losses | | **(2.0)** | 3.9 |
| Receivables recovered or written off | | **(2.3)** | (1.8) |
| **Balance, end of year** | | **$ 3.1** | $ 7.4 |

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

## 30 FINANCIAL INSTRUMENTS (CONTINUED)

To assess whether the credit risk on a financial instrument has increased significantly since initial recognition, the Corporation compares the risk of default as at the reporting date with the risk of default as at the initial recognition date of the financial instrument. In making this assessment, the Corporation considers reasonable and supportable quantitative and qualitative information, including past experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered include future prospects for the industries in which the Corporation's debtors operate from reports prepared by experts in economics, financial analysts, government agencies, relevant think tanks and other similar organizations, as well as various external sources of economic information and forecasts related to the Corporation's core operations.

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

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

The following table presents the contractual maturities of financial liabilities as at October 31, 2021:

| | Carrying amount | Contractual cash flows | Less than 1 year | 1-3 years | 3-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | |
| Accounts payable and accrued liabilities | **$ 435.0** | **$ 435.0** | **$ 435.0** | **$ —** | **$ —** | **$ —** |
| Long-term debt | **965.5** | **1,054.2** | **207.5** | **310.1** | **278.8** | **257.8** |
| Lease liabilities | **160.4** | **175.6** | **25.7** | **44.8** | **38.1** | **67.0** |
| Other monetary liabilities, excluding contingent considerations | **16.6** | **16.6** | **0.4** | **16.2** | **—** | **—** |
| Contingent considerations | **10.0** | **10.0** | **2.0** | **8.0** | **—** | **—** |
| | **1,587.5** | **1,691.4** | **670.6** | **379.1** | **316.9** | **324.8** |
| Derivative financial instruments in liabilities | | | | | | |
| Interest rate swaps | **9.5** | **9.5** | **2.2** | **7.3** | **—** | **—** |
| Cross-currency fixed interest rate swaps | **2.5** | **2.5** | **—** | **—** | **2.5** | **—** |
| Total return swaps | **1.4** | **1.4** | **1.4** | **—** | **—** | **—** |
| Foreign exchange forward contracts | **0.7** | **0.7** | **0.6** | **0.1** | **—** | **—** |
| | **$ 1,601.6** | **$ 1,705.5** | **$ 674.8** | **$ 386.5** | **$ 319.4** | **$ 324.8** |

The following table presents the contractual maturities of financial liabilities as at October 25, 2020:

| | Carrying amount | Contractual cash flows | Less than 1 year | 1-3 years | 3-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | |
| Accounts payable and accrued liabilities | $ 398.8 | $ 398.8 | $ 398.8 | $ — | $ — | $ — |
| Long-term debt | 1,020.1 | 1,080.3 | 248.3 | 707.8 | 9.9 | 114.3 |
| Lease liabilities | 154.8 | 171.6 | 25.7 | 40.7 | 32.3 | 72.9 |
| Other monetary liabilities, excluding contingent considerations | 15.2 | 15.2 | 0.2 | 15.0 | — | — |
| Contingent considerations | 3.5 | 3.5 | 3.5 | — | — | — |
| | 1,592.4 | 1,669.4 | 676.5 | 763.5 | 42.2 | 187.2 |
| Derivative financial instruments in liabilities | | | | | | |
| Interest rate swaps | 25.3 | 25.3 | 0.2 | 25.1 | — | — |
| Foreign exchange forward contracts | 0.8 | 0.8 | 0.6 | 0.2 | — | — |
| | $ 1,618.5 | $ 1,695.5 | $ 677.3 | $ 788.8 | $ 42.2 | $ 187.2 |

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

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

## 30 FINANCIAL INSTRUMENTS (CONTINUED)

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

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

To manage interest rate risk, the Corporation entered into interest rate swaps on a portion of its floating-rate indebtedness. In the last few fiscal years, the Corporation has entered into interest rate swaps for an amount of US$450.0 million as a hedge against risks related to future fluctuations in interest rates on certain of its loans until their respective maturities. A US$75.0 million swap related to tranche C of the U.S. dollar term loans was settled upon the repayment of this tranche on August 3, 2021. The Corporation applies cash flow hedge accounting by designating these swaps as hedging instruments. Consequently, during the years ended October 31, 2021 and October 25, 2020, the change in fair value of these hedging instruments, namely a $3.2 million gain and an $18.5 million loss, respectively, was recognized in other comprehensive income.

For the year ended October 31, 2021, all other things being equal, if interest rates had increased or decreased by 50 basis points, the Corporation's net earnings would have decreased or increased by $0.7 million.

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

To manage foreign currency risk related to exports to the United States, the Corporation enters into foreign exchange forward contracts. As at October 31, 2021, the Corporation held foreign exchange forward contracts to sell (buy) US$(45.3) million (US$95.5 million as at October 25, 2020), of which US$(90.3) million, US$25.0 million and US$20.0 million will be (bought) sold during fiscal 2022, 2023 and 2024, respectively. The maturities of foreign exchange forward contracts range from 1 to 31 months and their rates range from 1.2277 to 1.4393. Foreign exchange forward contracts are designated as cash flow and net investment hedging instruments as at October 31, 2021 and hedging relationships were effective and in accordance with the risk management objective and strategy throughout the year. No ineffectiveness expense was recorded in the Consolidated Statements of Earnings during the years ended October 31, 2021 and October 25, 2020.

As indicated in Note 19, the Corporation designated a portion of its term loans and credit facilities denominated in U.S. dollars as hedging instruments for its net investment in foreign operations to mitigate its foreign currency risk. The designated amount varied between US$331.0 million and US$632.3 million during the year ended October 31, 2021. The effective portion of unrealized exchange losses on the translation of the U.S. dollar denominated debt designated as a hedging item was $41.7 million for the year ended October 31, 2021 and was recorded in other comprehensive income.

For the years ended October 31, 2021 and October 25, 2020, all other things being equal, a hypothetical 10.0% appreciation of the U.S. dollar against the Canadian dollar would have the following impact on net earnings and other comprehensive income:

| | **October 31, 2021** | | October 25, 2020 | |
|---|---|---|---|---|
| | **Net earnings** | **Other comprehensive income** | Net earnings | Other comprehensive income |
| Exposure to U.S dollars | **$ 2.9** | **$ 22.8** | $ 0.7 | $ (11.7) |

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

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

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

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

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

## 30 FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

| | **As at October 31, 2021** | | As at October 25, 2020 | |
|---|---|---|---|---|
| | **Fair value** | **Carrying amount** | Fair value | Carrying amount |
| Foreign exchange forward contracts in assets | **$ 7.2** | **$ 7.2** | $ 2.7 | $ 2.7 |
| Total return swaps in assets | **—** | **—** | 0.3 | 0.3 |
| Contingent considerations | **(10.0)** | **(10.0)** | (3.5) | (3.5) |
| Long-term debt | **(962.1)** | **(965.5)** | (1,038.3) | (1,020.1) |
| Interest rate swaps in liabilities | **(9.5)** | **(9.5)** | (25.3) | (25.3) |
| Cross-currency fixed interest rate swaps | **(2.5)** | **(2.5)** | — | — |
| Total return swaps in liabilities | **(1.4)** | **(1.4)** | | |
| Foreign exchange forward contracts in liabilities | **(0.7)** | **(0.7)** | (0.8) | (0.8) |

These financial instruments are classified in Level 2 of the fair value hierarchy, except for the contingent considerations payable related to business combinations, which are classified in Level 3. For the years ended October 31, 2021 and October 25, 2020, no financial instruments were transferred between Levels 1, 2 and 3.

**Sensitivity analysis of Level 3 financial instruments**
As at October 31, 2021, all other things being equal, a 10% increase in projected financial performance thresholds of acquired businesses would have had no impact on net earnings. A 10% decrease in projected financial performance thresholds would have resulted in an increase in net earnings of $10.0 million.

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

| | **Note** | **October 31, 2021** | October 25, 2020 |
|---|---|---|---|
| **Balance, beginning of year** | | **$ 3.5** | $ 10.6 |
| Business combinations | 4 | **10.0** | — |
| Change included in net earnings [(1)] | | **(3.4)** | (7.4) |
| Exchange rate change | | **(0.1)** | 0.3 |
| **Balance, end of year** | | **$ 10.0** | $ 3.5 |

[(1)] Includes a revaluation gain of $3.4 million and $7.4 million for the years ended October 31, 2021 and October 25, 2020, respectively, recorded under "Restructuring and other costs (gains)" (Note 6).

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

## 31 CAPITAL MANAGEMENT

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

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

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

| | **October 31, 2021** | October 25, 2020 |
|---|---|---|
| Long-term debt | **$ 778.2** | $ 790.4 |
| Lease liabilities | **137.3** | 132.0 |
| Current portion of long-term debt | **187.3** | 229.7 |
| Current portion of lease liabilities | **23.1** | 22.8 |
| Cash | **(231.1)** | (241.0) |
| **Net indebtedness** | **$ 894.8** | $ 933.9 |
| Adjusted operating earnings before depreciation and amortization | **$ 454.9** | $ 499.4 |
| **Net indebtedness ratio** | **1.97 x** | 1.87 x |

## 32 SUBSEQUENT EVENTS

**REIMBURSEMENT OF DEBT**
On November 1, 2021, the Corporation repaid in advance the balance of $185.8 million (US$150.0 million) of tranche D of the U.S. dollar term loans.

**BUSINESS COMBINATION**
On November 1, 2021, the Corporation acquired all the shares of H.S. Crocker Co., Inc. ("H.S. Crocker"), a manufacturer of die cut lids for the food industry and labels for the pharmaceutical industry located in Huntley, Illinois, and Exton, Pennsylvania. The Corporation will measure the fair value of H.S. Crocker's assets acquired and liabilities assumed in the coming quarters. This acquisition enables the Corporation to broaden its packaging solutions portfolio in the food sector as well as expand its the pharmaceutical and medical expertise in the specialized coating products offering.

# Shareholder information

## Historical financial information

For the years ended October 31, 2021, October 25, 2020, October 27, 2019, October 28, 2018, and October 29, 2017

(unaudited) (in millions of dollars, except ratios)

| | **2021** **53 weeks** | 2020 52 weeks | 2019 52 weeks | 2018 52 weeks | 2017 52 weeks |
|---|---|---|---|---|---|
| **PROFITABILITY** | | | | | |
| Revenues | **$2,643.4** | $2,574.0 | $3,038.8 | $ 2,623.5 | $ 2,007.2 |
| Adjusted revenues[1] | **2,643.4** | 2,574.0 | 3,027.1 | 2,521.4 | 2,007.2 |
| Operating earnings before depreciation and amortization | **441.5** | 458.0 | 511.5 | 536.8 | 405.4 |
| Adjusted operating earnings before depreciation and amortization[1] | **454.9** | 499.4 | 475.8 | 459.4 | 396.7 |
| Operating earnings | **233.8** | 241.4 | 309.5 | 367.7 | 302.0 |
| Adjusted operating earnings[1] | **313.5** | 352.8 | 348.0 | 356.9 | 310.7 |
| Net earnings applicable to participating shares | **130.6** | 131.7 | 166.1 | 213.4 | 211.5 |
| Adjusted net earnings applicable to participating shares[1] | **206.4** | 227.0 | 220.2 | 239.4 | 213.7 |
| **LIQUIDITY** | | | | | |
| Cash flows from operating activities | **315.3** | 427.0 | 431.6 | 312.5 | 324.1 |
| Acquisitions of property plant and equipment (PP&E) and intangible assets | **138.3** | 97.5 | 125.6 | 80.0 | 48.8 |
| Free Cash Flow[2] | **177.0** | 329.5 | 306.0 | 232.5 | 275.3 |
| Dividends on participating shares | **78.3** | 77.9 | 76.0 | 68.6 | 60.9 |
| Participating share redemptions | **n/a** | 7.1 | n/a | 23.6 | n/a |
| Cash | **231.1** | 241.0 | 213.7 | 40.5 | 247.1 |
| Available liquidities[3] | **662.1** | 673.8 | 646.4 | 309.7 | 647.1 |
| **FINANCIAL POSITION** | | | | | |
| Total assets | **3,612.9** | 3,598.4 | 3,781.8 | 3,782.2 | 2,136.7 |
| Shareholders' equity | **1,764.3** | 1,738.6 | 1,691.2 | 1,634.1 | 1,218.7 |
| Net indebtedness[1] | **894.8** | 933.9 | 1,169.4 | 1,420.5 | 101.2 |
| Corporate credit rating (DBRS) | **BBB (low), stable** | BBB (low), negative | BBB (low), stable | BBB (low), stable | BBB (low), stable |
| Corporate credit rating (Standard & Poor's) | **BBB-, stable** | BBB-, negative | BBB-, negative | BBB-, negative | BBB-, stable |
| **RATIOS** | | | | | |
| Adjusted operating earnings margin before depreciation and amortization[1] | **17.2 %** | 19.4 % | 15.7 % | 18.2 % | 19.8 % |
| Return on average equity[4] | **11.8 %** | 13.2 % | 13.2 % | 16.8 % | 18.7 % |
| Net indebtedness ratio (financial leverage) [1, 5] | **2.0 x** | 1.9x | 2.5 x | 3.1 x | 0.3 x |

1 Non-IFRS financials measures. A complete definition of the non-IFRS financials measures is presented in the section entitled "Reconciliation of Non-IFRS Financial Measures" in the Management's Discussion and Analysis section of this annual report on page 6.

2 Defined as cash flow continuing operating activities less acquisitions of PP&E and intangible assets.

3 Defined as cash plus available amounts under the lines of credit.

4 Adjusted net earnings applicable to participating shares[1] divided by average beginning and ending shareholders' equity balance for the fiscal year.

5 The ratios as at October 31, 2021 and as at October 25, 2020 include the impact of IFRS 16. Excluding the impact of IFRS 16, the ratios are 1.7x and 1.6x respectively.

# Share information

## Historical financial information

For the years ended October 31, 2021, October 25, 2020, October 27, 2019, October 28, 2018, and October 29, 2017

(unaudited)

| | **2021** | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| **TRADING OF CLASS A SUBORDINATE VOTING SHARES (TCL.A ON THE TSX)** | | | | | |
| Intraday high | **$26.45** | $17.60 | $22.53 | $32,89 | $28.77 |
| Intraday low | **$15.47** | $9.50 | $13.11 | $20,08 | $17.18 |
| Closing | **$19.60** | $16.58 | $15.05 | $20,85 | $28.12 |
| Total volume | **54,575,316** | 67,881,953 | 71,178,067 | 59,199,632 | 34,120,719 |
| Average daily volume | **214,021** | 271,528 | 284,712 | 236,799 | 137,031 |
| **TRADING OF CLASS B SHARES (TCL.B ON THE TSX)** | | | | | |
| Intraday high | **$26.37** | $17.71 | $22.50 | $32.79 | $29.06 |
| Intraday low | **$15.55** | $9.49 | $13.91 | $20.36 | $17.37 |
| Closing | **$19.46** | $16.72 | $16.38 | $20.74 | $28.20 |
| Total volume | **191,154** | 226,669 | 281,311 | 171,144 | 267,135 |
| Average daily volume | **1,467** | 1,453 | 1,465 | 685 | 1,073 |
| **ADDITIONAL INFORMATION** | | | | | |
| Dividends on participating shares (in millions) | **$78.3** | $77.9 | $76.0 | $68.6 | $60.9 |
| Dividends paid per participating share | **$0.90** | $0.90 | $0.87 | $0.83 | $0.79 |
| Dividend yield on participating shares | **4.6%** | 5.4% | 5.8% | 4.0% | 2.8% |
| Weighted average number of participating shares outstanding - basic (in millions) | **87.0** | 87.1 | 87.3 | 82.5 | 77.3 |
| Public float (in millions) | **74.4** | 74.2 | 74.6 | 74.6 | 65.0 |
| Book value per participating share | **$20.27** | $19.98 | $19.37 | $19.81 | $15.77 |
| Market capitalization (in millions) | **$1,704** | $1,445 | $1,333 | $1,820 | $2,182 |
| Enterprise value (in millions) | **$2,599** | $2,379 | $2,502 | $3,240 | $2,283 |

## Closing share price and volume

# Corporate information

## Main addresses

**TC Transcontinental Head Office**
**Transcontinental inc.**
1 Place Ville Marie, Suite 3240
Montréal, Québec, Canada H3B 0G1
t. 514-954-4000 • f. 514-954-4016
www.tc.tc

**TC Transcontinental Packaging**
8700 West Bryn Mawr Avenue, Suite 1000N
Chicago, Illinois, United States 60631
t. 773-877-3300 • f. 773-877-3301

**TC Transcontinental Printing**
100 B Royal Group Crescent
Vaughan, Ontario, Canada L4H 1X9
t. 905-663-0050 • f. 905-663-6268

**TC Media**
5800 Saint-Denis St., 9th Floor
Montréal, Québec, Canada H2S 3L5
t. 514-273-1066 • f. 514-276-0324

## Investor Relations

**Yan Lapointe**
Director, Investor Relations
t. 514-954-3574
e. yan.lapointe@tc.tc

**Transfer Agent and Registrar**
TSX Trust Company
2001 Robert-Bourassa Blvd., Suite 1600
Montréal, Québec, H3A 2A6
t. 1-800-387-0825

**ANNUAL MEETING OF SHAREHOLDERS**
Transcontinental Inc.'s Annual Meeting of Shareholders will be held on March 8, 2022 at 2:30 p.m. at the Saint-James Club of Montreal, 1145 Union Avenue, Montréal, Québec, Canada

## Other information

**Shareholders, Investors and Analysts**

For further financial information or to order supplementary documentation about the Corporation, please contact the Investor Relations Department or visit the "Investors" section of TC Transcontinental's website at www.tc.tc

**Media**

For general information about the Corporation, please contact the Communications Department t. 514-954-4000 or at contactmedia@tc.tc

**Donation**

For more information about the Transcontinental Inc. Donation Policy, visit the Corporation's website at www.tc.tc under the "Governance – Policies" section. To request a donation, please send an email to communications@tc.tc with relevant information regarding your activity, event or campaign.

**Duplicate communications**

Some shareholders may receive more than one copy of publications such as condensed interim consolidated financial statements and the Annual Report. Every effort is made to avoid such duplication. Shareholders who receive duplicate mailings should advise TSX Trust Company at 1-800-387-0825.

**Information**

This annual report is also available in the "Investors" section of the Corporation's website. The list of Transcontinental Inc. business units is also available on the Corporation's website.

Des exemplaires en français du rapport annuel, de la notice annuelle, des rapports de gestion et des états financiers résumés intermédiaires sont disponibles sur demande en communiquant avec le Service des relations avec les investisseurs et sur www.tc.tc

## Production of annual report


**Project management:** Corporate Communications Department

**Graphic design & artistic direction:** Transcontinental Premedia

**Photography:** In-house teams, Transcontinental Premedia

**Translation:** Corporate Communications Department

**Printing:** Transcontinental Ross-Ellis

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Printed in Canada

# Governance

## Board of Directors

**Isabelle Marcoux, C.M.**
Chair of the Board,
Transcontinental Inc.

**Peter Brues**
President and Chief Executive Officer,
Transcontinental Inc.

**Jacynthe Côté** [2 4]
Corporate Director

**Nelson Gentiletti**
Corporate Director

**Yves Leduc** [3]
Special Advisor to the Chairman,
Velan Inc.

**Nathalie Marcoux**
Vice President, Finance,
Capinabel Inc.

**Pierre Marcoux**
President,
Contex Group Inc.

**Rémi Marcoux, C.M., O.Q., FCPA, FCA**
Founder and Director,
Transcontinental Inc.

**Anna Martini, FCPA, FCA** [1 2]
Executive Vice President
and Chief Financial Officer,
Groupe CH

**Mario Plourde** [3]
President and Chief Executive Officer,
Cascades Inc.

**Jean Raymond** [2]
Vice-Chairman, Managing Director
and Head of CIBC Capital Markets –
Québec, CIBC World Markets Inc.

**François R. Roy** [1]
Corporate Director

**Annie Thabet** [1 3]
Corporate Director and Partner,
Celtis Capital Inc.

## Executive Management Committee of the Corporation

**Peter Brues**
President and Chief Executive Officer

**Magali Depras**
Chief Strategy and CSR Officer

**Christine Desaulniers**
Chief Legal Officer and Corporate Secretary

**Benoit Guilbault**
Chief Information Officer

**Donald LeCavalier**
Chief Financial Officer

**Lyne Martel**
Chief Human Resources Officer

**Thomas Morin**
President, TC Transcontinental Packaging

**Eric Morisset**
Chief Corporate Development Officer

**Brian Reid**
President, TC Transcontinental Printing

**François Taschereau**
Vice President, Corporate Communications
and Public Affairs

## Other Officers of the Corporation

**Isabelle Côté**
Vice President and Corporate Controller

**Frédérique Deniger**
Vice President, Internal Audit

**Mathieu Hébert**
Treasurer

**As at December 10, 2021**

[1] Member of the Audit Committee
[2] Member of the Human Resources and Compensation Committee
[3] Member of the Governance and Social Responsibility Committee
[4] Lead Director

# Forward-looking statements

Our public communications often contain oral or written forward-looking statements which are based on the expectations of management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. Forward-looking statements may include observations concerning the Corporation's objectives, strategy, anticipated financial results and business outlook. The Corporation's future performance may also be affected by a number of factors, many of which are beyond the Corporation's will or control. These factors include, but are not limited to, the economic situation in the world, structural changes in the industries in which the Corporation operates, the impact of digital product development and adoption on the demand for retailer-related services and other printed products, the Corporation's ability to generate organic growth in highly competitive industries, the Corporation's ability to complete acquisitions in the packaging industry and properly integrate them, the inability to maintain or improve operational efficiency and avoid disruptions that could affect its ability to meet deadlines, cybersecurity and data protection, the political and social environment as well as regulatory and legislative changes, in particular with regard to the environment and door-to-door distribution, changes in consumption habits related, in particular, to issues involving sustainable development and the use of certain products or services such as door-to-door distribution, change in consumption habits or loss of a major customer, customer consolidation, the safety and quality of its packaging products used in the food industry, the protection of its intellectual property rights, the exchange rate, availability of capital at a reasonable cost, bad debts from certain customers, import and export controls, raw materials, transportation and consumed energy costs, availability of raw materials, recruiting and retaining qualified personnel, taxation, interest rates and the impact of the COVID-19 pandemic on its operations, facilities and financial results, changes in consumption habits from consumers and changes in the operations and financial position of the Corporation's customers due to the COVID-19 pandemic and the effectiveness of plans and measures implemented in response thereto. The main risks, uncertainties and factors that could influence actual results are described in the *Management's Discussion and Analysis* for the year ended October 31, 2021 and in the latest *Annual Information Form.*

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

# Building a sustainable future...

with our customers,

by partnering on their sustainability journey.

with our employees,

by taking action with a common purpose.

with our shareholders,

by managing the company with vision and responsibly.

with our communities,

by supporting their local economic and social development.