

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the third quarter ended July 26, 2020

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 third quarter ended July 26, 2020. It should be read in conjunction with the information in the unaudited condensed interim consolidated financial statements and the accompanying notes included in this report. Additional information relating to the Corporation, including its Annual Report and *Annual Information Form*, may also be obtained on SEDAR at www.sedar.com.

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 #3 in the section entitled "Reconciliation of Non-IFRS Financial Measures" and in Note 3 "Segmented Information" to the unaudited condensed interim consolidated financial statements for the third quarter ended July 26, 2020. These measures should be considered as a complement to financial performance measures in accordance with IFRS. They do not substitute and are not superior to them.

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

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

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Our public communications often contain oral or written forward-looking statements which are based on the expectations of Management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. These forward-looking statements include, among others, statements with respect to our medium-term objectives, our outlook, our strategies to achieve these objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. The words "may", "could", "should", "would", "assumptions", "strategy", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "objective", the use of the future and conditional tenses, and words and expressions of similar nature are intended to identify forward-looking statements. Such forward-looking statements may also include observations concerning the Corporation's anticipated financial results and business outlooks and the economies in which it operates. The Corporation's future performance may also be affected by a number of factors, many of which are beyond its will or control. The main risks, uncertainties and factors that could influence actual results are described in the *Management's Discussion and Analysis* for the year ended October 27, 2019 and in the latest *Annual Information Form* and have been updated in the *Management's Discussion and Analysis* for the second quarter ended April 26, 2020.

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 September 9, 2020.

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 September 9, 2020. Such forward-looking statements may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's Management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

PROFILE OF TC TRANSCONTINENTAL

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

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

Transcontinental Inc. (TSX: TCL.A TCL.B), known as TC Transcontinental, has approximately 8,500 employees, the majority of which are based in Canada, the United States and Latin America. TC Transcontinental had revenues of more than C\$3.0 billion for the fiscal year ended October 27, 2019. For more information, visit TC Transcontinental's website at www.tc.tc.

HIGHLIGHTS - THIRD QUARTER

Table #1:

(in millions of dollars, except per share amounts)	Q3 - 2020	Q3 - 2019	Variation in \$	Variation in %
Revenues	\$587.4	\$728.9	(\$141.5)	(19.4) %
Operating earnings before depreciation and amortization ⁽²⁾	130.1	107.2	22.9	21.4
Adjusted operating earnings before depreciation and amortization ^{(1) (2)}	139.3	112.9	26.4	23.4
Operating earnings ⁽²⁾	75.3	56.6	18.7	33.0
Adjusted operating earnings ^{(1) (2)}	102.1	80.9	21.2	26.2
Net earnings attributable to shareholders of the Corporation ⁽²⁾	48.3	3.4	44.9	n/a
Net earnings attributable to shareholders of the Corporation per share ⁽²⁾	0.56	0.04	0.52	n/a
Adjusted net earnings attributable to shareholders of the Corporation ^{(1) (2)}	68.2	52.2	16.0	30.7
Adjusted net earnings attributable to shareholders of the Corporation per share ^{(1) (2)}	0.78	0.60	0.18	30.0

(1) Please refer to Table #3 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

(2) The results for the current period reflect the impact of the adoption of the new IFRS 16 accounting standard, which applies to the Corporation for its fiscal year beginning October 28, 2019. The Corporation adopted the new standard using the modified retrospective transition method, whereby the cumulative impact of initial application has been reflected in opening retained earnings as at October 28, 2019, without restatement of comparative figures. Consequently, data might not be comparable. Please refer to Note 2 to the unaudited condensed interim consolidated financial statements for more information on the adoption of the new standard and Table #2 of this report.

- Significantly improved profitability in the Packaging Sector and strictly controlled costs in the Printing Sector.
- Strengthened our measures to protect employee health and safety during the pandemic and maintained our financial support programs for employees who were temporarily laid off or on reduced work schedules.
- Revenues of \$587.4 million; operating earnings of \$75.3 million; and net earnings attributable to shareholders of the Corporation of \$48.3 million (\$0.56 per share).
- Adjusted operating earnings before depreciation and amortization of \$139.3 million; adjusted operating earnings of \$102.1 million; and adjusted net earnings attributable to shareholders of the Corporation of \$68.2 million (\$0.78 per share).
- Maintained solid financial health with an improved net indebtedness ratio of 2.0x (1.8x excluding the impact of IFRS 16), liquidities of \$197.3 million and access to unused lines of credit of \$433.5 million.
- Promising start in our flexible packaging recycling operations to help accelerate the transition to a circular economy for plastic.

PREAMBLE - IMPACT OF COVID-19

The COVID-19 pandemic is disrupting many sectors of the global economy. It affects supply chains and consumer behaviour across the world. The Corporation has rapidly implemented many measures to contribute responsibly to the global effort to halt the pandemic, protect the health of our employees and their families, and ensure the continuity of our operations to serve the needs of our customers.

In the Packaging Sector, which represents approximately half of our revenues, the vast majority of our operations support the retail supply chain for food and everyday consumer products, a sector experiencing strong demand since the beginning of the COVID-19 pandemic. While some of our other verticals are facing a decrease in volume due to the economic slowdown, the verticals supporting the retail supply chain for food and everyday consumer products are experiencing a higher demand.

In the Printing Sector, confinement measures announced by the various governments in Canada with respect to non-essential services resulted, in March 2020, in a significant temporary reduction in printing activities and approximately 1,600 temporary layoffs. During this period, TC Transcontinental continued, at the request of the governments, to serve its customers that are operating and delivering services identified as essential. Since then, the gradual recovery in volume and the Canada Emergency Wage Subsidy program have enabled us to recall several hundreds of employees.

As early as the beginning of March, the Corporation deployed its company-wide crisis management and communication plan. Since then, senior management has reviewed daily the development of the COVID-19 pandemic, undertaken new preventive actions and updated safety guidelines as needed. The Corporation is monitoring closely the developments of the COVID-19 pandemic and is acting quickly in response to government recommendations by adapting security measures as required.

IMPACT OF NEW ACCOUNTING STANDARD - IFRS 16 "LEASES"

As at October 28, 2019, the Corporation adopted IFRS 16 "Leases" ("IFRS 16"), which replaces IAS 17 "Leases" ("IAS 17") and IFRIC 4 "Determining Whether an Arrangement Contains a Lease" ("IFRIC 4"). This new standard brings most leases in the Statement of Financial Position while eliminating the previous classifications of finance leases and operating leases. Adopting IFRS 16 therefore gave rise to the gross-up of the Statement of Financial Position resulting from the recognition of right-of-use assets and liabilities representing the obligation to make lease payments.

The Corporation elected to adopt IFRS 16 using the modified retrospective transition method, whereby the cumulative impact of initial application is reflected in opening retained earnings as at October 28, 2019, without restatement of comparative figures. Consequently, corresponding figures for fiscal 2019 will continue to be reported under IAS 17 and the related IFRIC 4 interpretations. Please refer to Note 2 of the unaudited condensed interim consolidated financial statements for more information and to the following tables to quantify the impact of the adoption of this standard.

Table #2:**Application of IFRS 16 - Impact of the transition to IFRS 16 on the Consolidated Statement of Financial Position**

(in millions of dollars)	As at October 27, 2019 ⁽¹⁾	Impact of the transition to IFRS 16	Opening balance as at October 28, 2019
	As reported		Adjusted
Current assets			
Prepaid expenses and other current assets	\$20.0	(\$0.1)	\$19.9
Property, plant and equipment	820.1	(4.8)	815.3
Right-of-use assets	—	113.8	113.8
	\$840.1	\$108.9	\$949.0
Current liabilities			
Provisions	\$14.1	(\$0.5)	\$13.6
Current portion of lease liabilities	—	19.8	19.8
Long-term debt	1,381.9	(4.8)	1,377.1
Lease liabilities	—	115.4	115.4
Deferred taxes	120.2	(4.3)	115.9
Provisions	1.9	(1.3)	0.6
Other liabilities	129.2	(2.2)	127.0
	\$1,647.3	\$122.1	\$1,769.4
Equity			
Retained earnings	\$1,069.9	(\$13.2)	\$1,056.7
	\$1,069.9	(\$13.2)	\$1,056.7

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

Application of IFRS 16 - Impact of the transition on the Consolidated Statements of Earnings

(in millions of dollars)	Three months ended July 26, 2020	Nine months ended July 26, 2020
Increase in adjusted operating earnings before depreciation and amortization		
Printing	\$2.9	\$8.0
Packaging	2.1	6.5
Other	0.9	2.7
Consolidated	\$5.9	\$17.2
Increase in net financial expenses	\$0.8	\$2.5
Increase in depreciation	\$5.0	\$14.8

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

(unaudited)

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

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

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

Table #3:

Reconciliation of operating earnings - Third quarter and cumulative

(in millions of dollars)	Three months ended		Nine months ended	
	July 26, 2020	July 28, 2019	July 26, 2020	July 28, 2019
Operating earnings	\$75.3	\$56.6	\$160.2	\$153.3
Restructuring and other costs	9.2	5.7	29.5	31.6
Amortization of intangible assets arising from business combinations ⁽¹⁾	17.6	18.6	53.0	55.8
Impairment of assets	—	—	—	0.5
Adjusted operating earnings	\$102.1	\$80.9	\$242.7	\$241.2
Depreciation and amortization ⁽²⁾	37.2	32.0	109.9	95.5
Adjusted operating earnings before depreciation and amortization	\$139.3	\$112.9	\$352.6	\$336.7

(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 net earnings attributable to shareholders of the Corporation - Third quarter

(in millions of dollars, except per share amounts)	Three months ended			
	July 26, 2020		July 28, 2019	
	Total	Per share	Total	Per share
Net earnings attributable to shareholders of the Corporation	\$48.3	\$0.56	\$3.4	\$0.04
Restructuring and other costs, net of related income taxes	6.6	0.07	4.5	0.05
Amortization of intangible assets arising from business combinations, net of related income taxes ⁽¹⁾	13.3	0.15	14.1	0.16
Impact of the U.S. tax reform on deferred taxes	—	—	30.2	0.35
Adjusted net earnings attributable to shareholders of the Corporation	\$68.2	\$0.78	\$52.2	\$0.60

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

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

(in millions of dollars, except per share amounts)	Nine months ended			
	July 26, 2020		July 28, 2019	
	Total	Per share	Total	Per share
Net earnings attributable to shareholders of the Corporation	\$80.4	\$0.93	\$53.8	\$0.62
Restructuring and other costs, net of related income taxes	34.2	0.39	23.8	0.27
Amortization of intangible assets arising from business combinations, net of related income taxes ⁽¹⁾	40.0	0.45	42.1	0.48
Impact of the U.S. tax reform on deferred taxes	—	—	30.2	0.35
Impairment of assets, net of related income taxes	—	—	0.4	—
Adjusted net earnings attributable to shareholders of the Corporation	\$154.6	\$1.77	\$150.3	\$1.72

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

Reconciliation of net indebtedness

(in millions of dollars, except ratios)	As at July 26, 2020	As at October 27, 2019
Long-term debt	\$805.2	\$1,381.9
Current portion of long-term debt	234.9	1.2
Lease liabilities ⁽¹⁾	111.2	—
Current portion of lease liabilities ⁽¹⁾	22.2	—
Cash	(197.3)	(213.7)
Net indebtedness ⁽¹⁾	\$976.2	\$1,169.4
Adjusted operating earnings before depreciation and amortization (last 12 months) ⁽¹⁾	\$491.7	\$475.8
Net indebtedness ratio ⁽¹⁾	2.0 x	2.5 x

(1) The results for the current period reflect the impact of the adoption of the new IFRS 16 accounting standard, which applies to the Corporation for its fiscal year beginning October 28, 2019. The Corporation adopted the new standard using the modified retrospective transition method, whereby the cumulative impact of initial application has been reflected in opening retained earnings as at October 28, 2019, without restatement of comparative figures. Consequently, data might not be comparable. Please refer to Note 2 to the unaudited condensed interim consolidated financial statements for more information on the adoption of the new standard and Table #2 of this report.

ANALYSIS OF CONSOLIDATED RESULTS - THIRD QUARTER

Revenues

Revenues decreased by \$141.5 million, or 19.4%, from \$728.9 million in the third quarter of 2019 to \$587.4 million in the corresponding period in 2020. This decline is largely caused by lower volume in the Printing Sector, which is mainly due to the impact of the COVID-19 pandemic. The disposal of the paper packaging operations, which occurred at the end of the first quarter of 2020, as well as the sale of the specialty media assets and event planning activities in 2019 also contributed to this decrease. These items were partially mitigated by organic growth in the Packaging Sector. A more detailed analysis of revenues is presented in the section "Analysis of Sector Results - Third Quarter".

Operating and Other Expenses

Operating expenses decreased by \$167.9 million, or 27.3%, in the third quarter of 2020 compared to the corresponding period in 2019. This decrease results from lower volume in the Printing Sector, the sale of paper packaging operations, measures taken by the Corporation to reduce costs and improve its operational efficiency and the Canada Emergency Wage Subsidy. The adoption of IFRS 16 had a favourable impact of \$5.9 million.

Restructuring and other costs increased by \$3.5 million, from an expense of \$5.7 million in the third quarter of 2019 to an expense of \$9.2 million in the third quarter of 2020. The variation is mainly explained by higher workforce reduction costs in the Printing Sector, mostly as a result of the closure of Transcontinental Qualimax (Gatineau) and Transcontinental de la Capitale (Québec City).

Depreciation and amortization increased by \$4.2 million, from \$50.6 million in the third quarter of 2019 to \$54.8 million in the third quarter of 2020. This increase is mostly due to the adoption of IFRS 16, which had a \$5.0 million impact, and the increase in capital expenditures in the Packaging Sector, partially mitigated by the impact of the disposal of the paper packaging operations.

Operating Earnings

Operating earnings increased by \$18.7 million, or 33.0%, from \$56.6 million in the third quarter of 2019 to \$75.3 million in the third quarter of 2020. The increase in operating earnings results from higher volume in the Packaging Sector, measures taken by the Corporation to reduce costs and improve its operational efficiency and the Canada Emergency Wage Subsidy, mostly in the Printing Sector. These items were partially offset by lower volume in the Printing Sector, mainly as a result of the COVID-19 pandemic.

Adjusted operating earnings increased by \$21.2 million, or 26.2%, from \$80.9 million in the third quarter of 2019 to \$102.1 million in the third quarter of 2020. A more detailed analysis of adjusted operating earnings is presented in the section "Analysis of Sector Results - Third Quarter".

Net Financial Expenses

Net financial expenses decreased by \$5.3 million, from \$16.3 million in the third quarter of 2019 to \$11.0 million in the third quarter of 2020. This decrease is attributable to a reduction in net indebtedness and a lower weighted average interest rate, partially offset by an increase of \$0.8 million related to the adoption of IFRS 16.

Income Taxes

Income taxes decreased by \$20.9 million, from \$36.9 million in the third quarter of 2019 to \$16.0 million in the third quarter of 2020. This decrease is mainly attributable to an income tax expense of \$30.2 million in 2019 resulting from the retroactive application of a new directive as part of the U.S. tax reform, offset by an increase in earnings before income taxes in the third quarter of 2020 compared to the corresponding period in 2019.

Adjusted income taxes increased by \$10.5 million, from \$12.4 million in the third quarter of 2019, for an effective tax rate of 19.2%, to \$22.9 million in the third quarter of 2020, for an effective tax rate of 25.1%. The increase in adjusted income taxes is mostly due to the increase in earnings before income taxes, while the increase in tax rate is caused by the geographic distribution of earnings before income taxes.

Net Earnings Attributable to Shareholders of the Corporation

Net earnings attributable to shareholders of the Corporation increased by \$44.9 million, from \$3.4 million in the third quarter of 2019 to \$48.3 million in the third quarter of 2020. This increase is attributable to the operating performance and the decrease in income taxes related to the 2019 U.S. tax reform. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.04 to \$0.56 respectively.

Adjusted net earnings attributable to shareholders of the Corporation increased by \$16.0 million, or 30.7%, from \$52.2 million in the third quarter of 2019 to \$68.2 million in the third quarter of 2020. This increase is mostly due to higher adjusted operating earnings and the decrease in net financial expenses, partially offset by the increase in adjusted income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$0.60 to \$0.78 respectively.

ANALYSIS OF CONSOLIDATED RESULTS - CUMULATIVE

Revenues

Revenues decreased by \$329.6 million, or 14.7%, from \$2,247.9 million in the first nine months of 2019 to \$1,918.3 million in the corresponding period in 2020. This decline is largely due to lower volume in the Printing Sector, which has been severely impacted by the COVID-19 pandemic since April 2020. The disposal of the paper packaging operations, which occurred at the end of the first quarter of 2020, as well as the sale of the specialty media assets and event planning activities in 2019 also contributed to this decrease. A more detailed analysis of revenues is presented in the "Analysis of Sector Results - Cumulative" section.

Operating and Other Expenses

Operating expenses decreased by \$345.5 million in the first nine months of 2020, or 18.1%, compared to the corresponding period in 2019. This decrease results from lower volume in the Printing Sector, the sale of paper packaging operations, measures taken by the Corporation to reduce costs and improve its operational efficiency and the Canada Emergency Wage Subsidy. The adoption of IFRS 16 had a favourable impact of \$17.2 million.

Restructuring and other costs decreased by \$2.1 million, from an expense of \$31.6 million in the first nine months of 2019 to an expense of \$29.5 million in the corresponding period in 2020. The variation is mainly explained by higher workforce reduction costs in 2019, mostly in the Printing Sector, as a result of the closure of Transcontinental Brampton, in Ontario.

Depreciation and amortization increased by \$11.6 million, from \$151.3 million in the first nine months of 2019 to \$162.9 million in the corresponding period in 2020. This increase is mostly due to the adoption of IFRS 16, which had a \$14.8 million impact, and the increase in capital expenditures in the Packaging Sector, partially mitigated by the impact of the disposal of the paper packaging operations.

Operating Earnings

Operating earnings increased by \$6.9 million, or 4.5%, from \$153.3 million in the first nine months of 2019 to \$160.2 million in the corresponding period in 2020. The increase in operating earnings results from the realization of synergies and operational efficiency initiatives in the Packaging Sector, combined with cost reduction measures taken by the Corporation and the Canada Emergency Wage Subsidy, mostly in the Printing Sector. These items were partially offset by lower volume in the Printing Sector, mainly as a result of the COVID-19 pandemic.

Adjusted operating earnings increased by \$1.5 million, or 0.6%, from \$241.2 million in the first nine months of 2019 to \$242.7 million in the corresponding period in 2020. 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 \$13.5 million, from \$50.2 million in the first nine months of 2019 to \$36.7 million in the corresponding period in 2020. This decrease is attributable to a reduction in net indebtedness during the year and a lower weighted average interest rate, partially offset by an increase of \$2.5 million related to the adoption of IFRS 16.

Income Taxes

Income taxes decreased by \$6.4 million, from \$49.3 million in the first nine months of 2019 to \$42.9 million in the corresponding period in 2020. This decrease is mainly attributable to an income tax expense of \$30.2 million in 2019 resulting from the retroactive application of a new directive as part of the U.S. tax reform, mitigated by the income tax expense recorded on the taxable income (on a tax basis) generated by the sale of the paper packaging operations in January 2020 for an amount of \$11.7 million and the increase in earnings before income taxes in the first nine months of 2020.

Adjusted income taxes increased by \$10.5 million, from \$40.7 million in the first nine months of the 2019, for an effective tax rate of 21.3%, to \$51.2 million in the corresponding period in 2020, for an effective tax rate of 24.9%. The increase in adjusted income taxes is mostly due to the increase in earnings before income taxes, while the increase in tax rate is caused by the geographic distribution of earnings before income taxes.

Net Earnings Attributable to Shareholders of the Corporation

Net earnings attributable to shareholders of the Corporation increased by \$26.6 million, or 49.4%, from \$53.8 million in the first nine months of 2019 to \$80.4 million in the corresponding period in 2020. This increase is mainly attributable to the previously explained increase in operating earnings as well as the decrease in net financial expenses and income taxes. On a per share basis, net earnings went from \$0.62 to \$0.93 respectively, due to the above-mentioned items.

Adjusted net earnings attributable to shareholders of the Corporation increased by \$4.3 million, or 2.9%, from \$150.3 million in the first nine months of 2019 to \$154.6 million in the corresponding period in 2020, mostly as a result of the decrease in net financial expenses, partially offset by the increase in adjusted income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$1.72 to \$1.77 respectively.

ANALYSIS OF SECTOR RESULTS - THIRD QUARTER

(unaudited)

Table #4:

(in millions of dollars)	Packaging	Printing	Other	Consolidated results
Revenues - Third quarter of 2019	\$395.0	\$310.5	\$23.4	\$728.9
Acquisitions/disposals and closures	(63.7)	12.6	(6.3)	(57.4)
Existing operations				
Exchange rate effect	10.7	(0.2)	—	10.5
Organic growth (decline)	6.7	(99.1)	(2.2)	(94.6)
Revenues - Third quarter of 2020	\$348.7	\$223.8	\$14.9	\$587.4
Adjusted operating earnings⁽¹⁾ - Third quarter of 2019	\$34.1	\$46.8	\$—	\$80.9
Acquisitions/disposals and closures	(3.0)	1.5	0.2	(1.3)
Existing operations				
IFRS 16	—	0.6	0.3	0.9
Exchange rate effect	2.0	(0.6)	0.1	1.5
Stock-based compensation	—	—	(2.1)	(2.1)
Organic growth (decline)	12.5	6.2	3.5	22.2
Adjusted operating earnings⁽¹⁾ - Third quarter of 2020	\$45.6	\$54.5	\$2.0	\$102.1

(1) Please refer to Table #3 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

Packaging Sector

Packaging Sector revenues decreased by \$46.3 million, or 11.7%, from \$395.0 million in the third quarter of 2019 to \$348.7 million in the third quarter of 2020. This decrease is mostly due to the sale of the paper packaging operations in January 2020, which had an unfavourable effect of \$67.4 million, while the acquisition of Trilex contributed additional revenues of \$3.7 million. The favourable exchange rate effect also had a positive impact on revenues. The organic growth of \$6.7 million results from a significant increase in volume in several segments supporting the retail supply chain for food and everyday consumer products. However, the decrease in raw material costs had a negative impact on organic growth.

Adjusted operating earnings increased by \$11.5 million, from \$34.1 million in the third quarter of 2019 to \$45.6 million in the third quarter of 2020. This increase is attributable to higher volume, the realization of synergies and operational efficiency initiatives in the sector. Unlike the impact on revenues, the decrease in raw material costs had a positive impact on adjusted operating earnings as a result of the lag in price adjustment. This improvement in adjusted operating earnings was partially offset by the disposal of the paper packaging operations. As a result of the above-mentioned items, the sector's adjusted operating earnings margin went from 8.6% in the third quarter of 2019 to 13.1% in the third quarter of 2020.

Printing Sector

Printing Sector revenues decreased by \$86.7 million, or 27.9%, from \$310.5 million in the third quarter of 2019 to \$223.8 million in the third quarter of 2020. The organic decline of \$99.1 million is mostly explained by a decrease in volume caused by the economic disruptions resulting from the COVID-19 pandemic, which curtailed printing activities in most of the segments. The acquisitions of Holland & Crosby Limited and Artisan Complete Limited contributed positively to revenues.

Adjusted operating earnings increased by \$7.7 million, or 16.4%, from \$46.8 million in the third quarter of 2019 to \$54.5 million in the third quarter of 2020. The increase is attributable to measures taken by the Corporation to reduce costs and improve its operational efficiency and the Canada Emergency Wage Subsidy, partially offset by lower volume caused by the COVID-19 pandemic. The sector's adjusted operating earnings margin therefore increased from 15.1% in the third quarter of 2019 to 24.4% in the third quarter of 2020. Excluding the subsidy, the adjusted operating earnings margin remained relatively stable despite a significant decrease in revenues, mostly as a result of cost reduction initiatives undertaken by the Corporation.

Other

Revenues decreased by \$8.5 million, from \$23.4 million in the third quarter of 2019 to \$14.9 million in the third quarter of 2020. This decrease is mostly due to the sale of the specialty media assets and event planning activities.

Adjusted operating earnings increased by \$2.0 million. This increase is attributable to the good performance of the Media Sector, cost reduction initiatives at head office and the Canada Emergency Wage Subsidy. These items were partially offset by the stock-based compensation expense. With respect to that expense, in the second quarter of 2020, the Corporation entered into a total return swap to hedge the market risk related to the variation in share price and its impact on stock-based compensation. The unfavourable change is therefore due to a gain in the third quarter of 2019 resulting from the decrease in the share price.

ANALYSIS OF SECTOR RESULTS - CUMULATIVE

(unaudited)

Table #5:

(in millions of dollars)	Packaging	Printing	Other	Consolidated results
Revenues - Nine months ended July 28, 2019	\$1,209.1	\$980.8	\$58.0	\$2,247.9
Acquisitions/disposals and closures	(130.3)	33.3	(24.2)	(121.2)
Existing operations				
Exchange rate effect	15.1	—	—	15.1
Organic growth (decline)	(19.4)	(199.5)	(4.6)	(223.5)
Revenues - Nine months ended July 26, 2020	\$1,074.5	\$814.6	\$29.2	\$1,918.3
Adjusted operating earnings⁽¹⁾ - Nine months ended July 28, 2019	\$97.4	\$152.9	(\$9.1)	\$241.2
Acquisitions/disposals and closures	(5.2)	1.0	(3.0)	(7.2)
Existing operations				
IFRS 16	0.2	1.3	0.9	2.4
Exchange rate effect	2.9	(0.4)	—	2.5
Stock-based compensation	—	—	(6.1)	(6.1)
Organic growth (decline)	16.1	(9.1)	2.9	9.9
Adjusted operating earnings⁽¹⁾ - Nine months ended July 26, 2020	\$111.4	\$145.7	(\$14.4)	\$242.7

(1) Please refer to Table #3 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

Packaging Sector

Packaging Sector revenues decreased by \$134.6 million, from \$1,209.1 million in the first nine months of 2019 to \$1,074.5 million in the corresponding period in 2020. This decrease is mostly due to the sale of the paper packaging operations in January 2020, which was partially mitigated by the acquisition of Trilex and the favourable exchange rate effect. The organic decline is explained by the decrease in raw material costs and the organic decline of the paper packaging operations before their disposal. These items were partially mitigated by an increase in volume in operations supporting the retail supply chain for food and everyday consumer products.

Adjusted operating earnings increased by \$14.0 million, from \$97.4 million in the first nine months of 2019 to \$111.4 million in the corresponding period in 2020. This increase is attributable to the realization of synergies and operational efficiency initiatives in the sector. Unlike the impact on revenues, the decrease in raw material costs had a positive impact on adjusted operating earnings as a result of the lag in price adjustment. This improvement in adjusted operating earnings was partially offset by the disposal of the paper packaging operations. As a result, the sector's adjusted operating earnings margin increased from 8.1% in the first nine months of 2019 to 10.4% in the corresponding period in 2020.

Printing Sector

Printing Sector revenues decreased by \$166.2 million, from \$980.8 million in the first nine months of 2019 to \$814.6 million in the corresponding period in 2020. The organic decline of \$199.5 million is mostly explained by a decrease in volume caused by the economic disruptions resulting from the COVID-19 pandemic, which has affected most of the segments since April 2020. For the period before April 2020, the segments were experiencing a decrease in volume that was less significant than the trends observed in 2019. The acquisitions of Holland & Crosby Limited and Artisan Complete Limited partially mitigated this significant decrease.

Adjusted operating earnings decreased by \$7.2 million, from \$152.9 million in the first nine months of 2019 to \$145.7 million in the corresponding period in 2020. This decline is mostly due to the previously explained decrease in revenues. The operational efficiency initiatives undertaken at the beginning of the fiscal year kept adjusted operating earnings stable for the first five months. However, the decline in adjusted operating earnings has been more significant since the outset of the COVID-19 pandemic, which has greatly affected the sector since April 2020. New cost reduction initiatives combined with the eligibility for the Canada Emergency Wage Subsidy partially mitigated the decrease. The sector's adjusted operating earnings margin went from 15.6% in first nine months of 2019 to 17.9% in the corresponding period in 2020 due to the above-mentioned items.

Other

Revenues decreased by \$28.8 million, from \$58.0 million in the first nine months of 2019 to \$29.2 million in the corresponding period in 2020. This decrease is mostly due to the impact of the sale of the specialty media assets and event planning activities.

Adjusted operating earnings decreased by \$5.3 million, from \$(9.1) million in the first nine months of 2019 to \$(14.4) million in the corresponding period in 2020, mainly as a result of the stock-based compensation expense and the sale of the specialty media assets and event planning activities, partially mitigated by the good performance of the Media Sector, cost reduction initiatives at head office and the Canada Emergency Wage Subsidy.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

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

Table #6:

(in millions of dollars, except per share amounts)	2020				2019			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	\$587.4	\$625.1	\$705.8	\$790.9	\$728.9	\$767.4	\$751.6	\$829.2
Adjusted revenues ⁽¹⁾	587.4	625.1	705.8	779.2	728.9	767.4	751.6	829.2
Operating earnings before depreciation and amortization ⁽²⁾	130.1	97.3	95.7	206.9	107.2	93.7	103.7	153.6
Adjusted operating earnings before depreciation and amortization ⁽¹⁾⁽²⁾	139.3	104.3	109.0	139.1	112.9	115.7	108.1	162.2
Adjusted operating earnings margin before depreciation and amortization ⁽¹⁾⁽²⁾	23.7 %	16.7 %	15.4 %	17.6 %	15.5 %	15.1 %	14.4 %	19.6 %
Operating earnings ⁽²⁾	\$75.3	\$44.1	\$40.8	\$156.2	\$56.6	\$43.1	\$53.6	\$105.5
Adjusted operating earnings ⁽¹⁾⁽²⁾	102.1	68.5	72.1	106.8	80.9	83.6	76.7	131.6
Adjusted operating earnings margin ⁽¹⁾⁽²⁾	17.4 %	11.0 %	10.2 %	13.5 %	11.1 %	10.9 %	10.2 %	15.9 %
Net earnings attributable to shareholders of the Corporation ⁽²⁾	\$48.3	\$25.7	\$6.4	\$112.3	\$3.4	\$22.3	\$28.1	\$67.0
Net earnings attributable to shareholders of the Corporation per share ⁽²⁾	0.56	0.30	0.07	1.28	0.04	0.26	0.32	0.76
Adjusted net earnings attributable to shareholders of the Corporation ⁽¹⁾⁽²⁾	68.2	43.6	42.8	69.9	52.2	52.6	45.5	87.0
Adjusted net earnings attributable to shareholders of the Corporation per share ⁽¹⁾⁽²⁾	0.78	0.50	0.49	0.80	0.60	0.60	0.52	0.99
% of fiscal year	— %	— %	— %	31 %	24 %	24 %	21 %	35 %

(1) Please refer to Table #3 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

(2) The results for the current period reflect the impact of the adoption of the new IFRS 16 accounting standard, which applies to the Corporation for its fiscal year beginning October 28, 2019. The Corporation adopted the new standard using the modified retrospective transition method, whereby the cumulative impact of initial application has been reflected in opening retained earnings as at October 28, 2019, without restatement of comparative figures. Consequently, data might not be comparable. Please refer to Note 2 to the unaudited condensed interim consolidated financial statements for more information on the adoption of the new standard and Table #2 of this report.

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

- The impact of acquisitions, disposals and closures completed in line with our transformation;
- The exchange rate effect;
- The interest rates;
- The impact of the change in the share price on the stock-based compensation expense;
- The impact of adjusting items presented in Table #3, "Reconciliation of Non-IFRS Financial Measures".

Excluding the impact of the above-mentioned items, we can note a decrease in revenues and in operating earnings margin as a result of the decline in the Printing Sector, a higher margin sector, and the greater proportion of consolidated results represented by the Packaging Sector.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL STRUCTURE

(unaudited)

Table #7:

	Three months ended	
(in millions of dollars)	July 26, 2020	July 28, 2019
Operating activities		
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	\$133.6	\$109.8
Changes in non-cash operating items	8.0	(6.2)
Income taxes recovered (paid)	5.0	(13.4)
Cash flows from operating activities	\$146.6	\$90.2
Investing activities		
Acquisitions of property, plant and equipment	(\$13.6)	(\$20.1)
Increase in intangible assets	(4.3)	(6.0)
Cash flows from investing activities	(\$17.9)	(\$26.1)
Financing activities		
Increase in long-term debt, net of issuance costs	\$—	\$300.0
Reimbursement of long-term debt	(0.1)	(250.0)
Net decrease in credit facility	—	(91.3)
Financial expenses on long-term debt	(8.4)	(17.5)
Repayment of principal on lease liabilities	(5.5)	—
Interest on lease liabilities	(0.8)	—
Dividends	(19.6)	(19.2)
Cash flows from financing activities	(\$34.4)	(\$78.0)
Effect of exchange rate changes on cash denominated in foreign currencies	(\$1.6)	\$—
Net change in cash	\$92.7	(\$13.9)

Financial position	As at July 26, 2020	As at October 27, 2019
Net indebtedness ⁽¹⁾⁽²⁾	\$976.2	\$1,169.4
Net indebtedness ratio ⁽¹⁾⁽²⁾	2.0 x	2.5 x
Credit rating		
DBRS	BBB (low)	BBB (low)
Outlook	Stable	Stable
Standard and Poor's	BBB-	BBB-
Outlook	Negative	Negative
Consolidated Statements of Financial Position		
	As at July 26, 2020	As at October 27, 2019 ⁽³⁾
Current assets ⁽²⁾	\$927.9	\$1,068.8
Current liabilities ⁽²⁾	663.8	457.4
Total assets ⁽²⁾	3,558.4	3,781.8
Total liabilities ⁽²⁾	1,841.1	2,090.6

(1) Please refer to Table #3 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

(2) The results for the current period reflect the impact of the adoption of the new IFRS 16 accounting standard, which applies to the Corporation for its fiscal year beginning October 28, 2019. The Corporation adopted the new standard using the modified retrospective transition method, whereby the cumulative impact of initial application has been reflected in opening retained earnings as at October 28, 2019, without restatement of comparative figures. Consequently, data might not be comparable. Please refer to Note 2 to the condensed interim consolidated financial statements for more information on the adoption of the new standard and Table #2 of this report.

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

Cash Flows from Operating Activities

Cash flows from operating activities increased by \$56.4 million, from \$90.2 million in the third quarter of 2019 to \$146.6 million in the third quarter of 2020. This increase is attributable to the increase in operating earnings, favourable timing differences in payables and the deferral of the payment of tax installments in Canada as a result of the COVID-19 pandemic.

Cash Flows from Investing Activities

Cash flows from investing activities went from a cash outflow of \$26.1 million in the third quarter of 2019 to a cash outflow of \$17.9 million in the third quarter of 2020. This variation is mostly explained by timing differences in investments in property, plant and equipment as a result of the COVID-19 pandemic.

Cash Flows from Financing Activities

Cash flows from financing activities went from a cash outflow of \$78.0 million in the third quarter of 2019 to a cash outflow of \$34.4 million in the third quarter of 2020. This variation is mostly explained by the repayment of a portion of the debt in the third quarter of 2019 and lower financial expenses in the third quarter of 2020.

Debt Instruments

On February 3, 2020, the Corporation repaid US\$50.0 million (\$66.4 million) on tranche A of the U.S. dollar term loans. On February 18, 2020, the Corporation repaid in full tranches G and H of Canadian dollar terms loans, each amounting to \$150.0 million. As at July 26, 2020, no amount had been drawn on the credit facilities, and the unused amount under the credit facilities was \$433.5 million.

Net indebtedness went from \$1,169.4 million as at October 27, 2019 to \$976.2 million as at July 26, 2020. This decrease is mostly explained by cash flows from operating activities and the sale of the paper packaging operations, which were partially offset by lease liabilities of \$133.4 million due to the adoption of IFRS 16. Consequently, our net indebtedness ratio stood at 2.0x as at July 26, 2020 compared to 2.5x as at October 27, 2019. After normalizing for the effect of IFRS 16, the net indebtedness ratio is 1.8x as at July 26, 2020.

Share Capital

Table #8:

Shares Issued and Outstanding	As at July 26, 2020	As at August 31, 2020
Class A (Subordinate Voting Shares)	73,049,344	73,049,344
Class B (Multiple Voting Shares)	13,975,826	13,975,826
Total Class A and Class B	87,025,170	87,025,170

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

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

During the nine-month period ended July 26, 2020, the Corporation redeemed and cancelled 450,450 of its Class A Subordinate Voting Shares at a weighted average price of \$15.70, for a total cash consideration of \$7.1 million (no shares repurchased since February 14, 2020). The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at July 26, 2020.

CHANGES IN ACCOUNTING STANDARDS

New accounting standards adopted during the fiscal year

As at October 28, 2019, the Corporation adopted IFRS 16 "Leases", which replaces IAS 17 "Leases" and IFRIC 4 "Determining Whether an Arrangement Contains a Lease". Adopting this new standard gave rise to a material gross-up of the Statement of Financial Position resulting from the recognition of right-of-use assets and offsetting liabilities representing the obligation to make lease payments.

At the opening of the period, as at October 28, 2019, the Corporation also adopted the amendments to IAS 19 "Employee Benefits" and IFRIC 23 "Uncertainty over Income Tax Treatments", which had no material impact on the unaudited condensed interim consolidated financial statements for the nine-month period ended July 26, 2020.

For more information, please refer to Note 2 to the unaudited condensed interim consolidated financial statements and the most recent annual consolidated financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

As at July 26, 2020, the Corporation's Management excluded Artisan Complete Limited from its evaluation of internal control over financial reporting, this exclusion is accepted by the Autorité des marchés financiers ("AMF") during the first year after the acquisition of a business, to give a corporation time to integrate the acquisition.

Artisan Complete Limited is a company specialized in the creation of engaging retail environments, point-of-purchase displays and large format printing that had 187 employees at the date of acquisition. Acquired on January 13, 2020, Artisan generated revenues of \$19.2 million in the first nine months of 2020, or 1.0% of the Corporation's consolidated results.

Additional information about this acquisition is presented in Table #9.

Table #9:
(unaudited)

(in millions of dollars)	Artisan Complete Limited
Statement of financial position	As at July 26, 2020
Current assets	12.3
Non-current assets	9.8
Current liabilities	6.6
Non-current liabilities	6.8
Statement of earnings	Nine months ended July 26, 2020
Revenues	19.2
Operating earnings before depreciation and amortization	1.9
Operating earnings	0.6

During the third quarter ended July 26, 2020, except for the information provided above, no change that has materially affected or is reasonably likely to affect the ICFR was brought to the attention of Management, including the President and Chief Executive Officer and the Chief Financial Officer of the Corporation.

OUTLOOK

In the Packaging Sector, the vast majority of our operations support the retail supply chain for food and everyday consumer products, which are experiencing an increase in volume due to the COVID-19 pandemic. The significant and rapid increase in the price of resin seen recently will have a negative impact on the sector's profitability in the fourth quarter. In addition, the disposal of our paper packaging operations, sold in January 2020, will continue to impact revenues and profitability. Despite these impacts, we continue to expect a slight increase in our profit margins, when compared to the prior fiscal year, as a result of our synergies and our operational efficiency initiatives.

In the Printing Sector, we expect that the organic decline will continue to affect several of our verticals, and that it will be amplified by the impact of the COVID-19 pandemic, which continues to impact several of our customers. Operational efficiency initiatives will continue to mitigate the impact of the volume decline on our operating earnings. In recent months, the gradual recovery in printing volume enabled us to recall close to 60% of the temporary laid-off employees. As a result of the recovery in printing volume and changes in the program's terms and conditions, amounts related to the Canada Emergency Wage Subsidy will significantly decrease in the fourth quarter. The Corporation will continue to adjust its capacity to continue generating significant cash flows and solid operating margins.

To conclude, despite the fact that the impact of the COVID-19 pandemic remains unpredictable, we expect to continue generating significant cash flows from all our activities. This will enable us to reduce our net indebtedness, while providing us with the desired flexibility to continue our transformation through strategic and targeted acquisitions.

On behalf of Management,

(s) Donald LeCavalier
Chief Financial Officer

September 9, 2020