TRANSCONTINENTAL

2018
ANNUAL REPORT

LEAPING FORWARD



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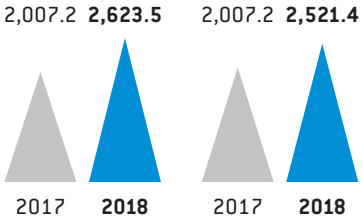
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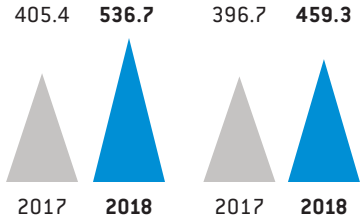
FINANCIAL HIGHLIGHTS

Financial data

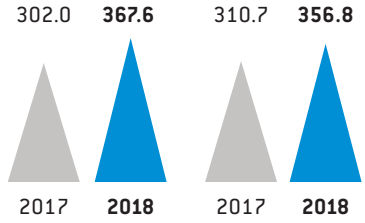
Revenues
(in millions of dollars)



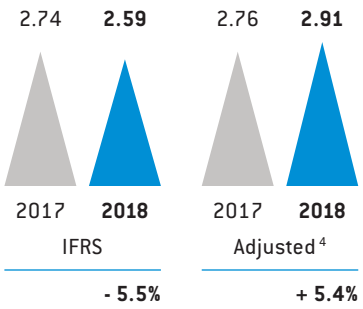
Operating earnings before depreciation and amortization (in millions of dollars)



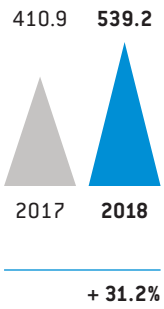
Operating earnings
(in millions of dollars)



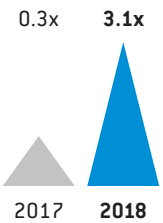
Net earnings per share
(in dollars)



Cash flows from operating activities [5]
(in millions of dollars)



Net indebtedness ratio [6]



TCL.A and TCL.B Symbols
(On the Toronto Stock Exchange)

$1,821M
Market capitalization
As at October 28, 2018

4.0%
Annual dividend yield
As at October 28, 2018

DBRS: BBB (low), stable
S&P: BBB-, negative
Corporate credit ratings
As at October 28, 2018

[1] Non-IFRS financial measure. Revenues before the accelerated recognition of deferred revenues*.

[2] Non-IFRS financial measure. Operating earnings before depreciation and amortization as well as the accelerated recognition of deferred revenues*, restructuring and other costs (gains), impairment of assets and reversal of the fair value adjustment of inventory sold arising from business combinations.

[3] Non-IFRS financial measure. Operating earnings before the accelerated recognition of deferred revenues*, accelerated depreciation*, restructuring and other costs (gains), impairment of assets, as well as amortization of intangible assets and reversal of the fair value adjustment of inventory sold arising from business combinations. Adjusted operating earnings in 2017 are presented on a comparable basis to 2018 according to the change in the definition of this measure.

[4] Non-IFRS financial measure. Net earnings before the accelerated recognition of deferred revenues*, accelerated depreciation*, restructuring and other costs (gains), impairment of assets, amortization of intangible assets and reversal of the fair value adjustment of inventory sold arising from business combinations, net of related income taxes, as well as the effect of the U.S. tax reform on deferred taxes. Adjusted net earnings in 2017 are presented on a comparable basis to 2018 according to the change in the definition of this measure.

[5] Before changes in non-cash operating items and income taxes paid.

[6] Net indebtedness represents total of long-term debt plus current portion of long-term debt less cash. The net indebtedness ratio is calculated by dividing the net indebtedness by the last 12 months' adjusted operating earnings before depreciation and amortization.

* Related to the agreement signed with The Hearst Corporation on December 21, 2017. Please refer to Note 31, "New agreement with Hearst", to the annual consolidated financial statements for the fiscal year ended October 28, 2018.

AT A GLANCE

Revenues:

$2.6B

Net earnings:

$213.4M

Over

9,000

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

OUR MISSION

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

OUR VISION

To become a top leader in flexible packaging in North America while maintaining our position as Canada's largest printer and as a leader in our specialty media segments.

OUR VALUES

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

OUR COMMITMENT

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

FISCAL 2018 HIGHLIGHTS

October 2017

- Acquisition of Les Industries Flexipak Inc., a flexible packaging supplier located in Québec

November 2017

- Sale of 21 TC Media publications to Icimédias Inc.

December 2017

- Sale of 12 TC Media publications to Groupe Lexis Média inc.
- Sale of Transcontinental Inc.'s stake in CEDROM-SNi Inc. to CNW Group Ltd., a Cision company
- Conclusion of a new agreement with Hearst to transfer the printing operations of the Fremont, California facility

January 2018

- Appointment of Pierre Marcoux as President of TC Media

March 2018

- Acquisition of Multifilm Packaging Corporation, a leader in confectionery packaging located in Illinois

April 2018

- Sale of 30 TC Media publications in the Montréal and Québec City areas to a Canadian corporation headed by Michael Raffoul

May 2018

- Transformational acquisition of Coveris Americas positioning TC Transcontinental as a North American leader in flexible packaging

June 2018

- 29th position in Corporate Knights' 2018 ranking of Canada's best corporate citizens

September 2018

- Appointment of H. Peter Brues to the Board of Directors
- Appointment of Donald LeCavalier as Chief Financial Officer

October 2018

- Acquisition of Somabec, a pan-Canadian distributor of French-language books, and publishing house Edisem



TRANSCONTINENTAL PACKAGING

- A leader in flexible packaging in North America
- Over **4,000 employees**, the majority of which are based in the United States
- Network of **28 production plants**
- Integrated service offering: variety of flexible plastic and paper products, including rollstock, bags and pouches, shrink films and bags, and advanced coatings
- Markets served: dairy, coffee, meat and poultry, pet food, agriculture, beverage, confectionery, industrial, consumer products, supermarkets and more
- The Packaging Sector represents **38.4%** of our consolidated[1] adjusted revenues[2] in 2018

TRANSCONTINENTAL PRINTING

- Largest printer in Canada and one of the largest in North America
- Over **4,300 employees**
- Network of **16 printing plants**
- Integrated service offering for retailers:
  - Premedia services
  - Flyer and in-store marketing product printing
  - Door-to-door distribution through Publisac in Québec and Targeo, a pan-Canadian distribution brokerage service: **14 million Canadian homes** reached
- Complete offering for publishers and advertisers: array of innovative print solutions for newspapers, magazines, 4-colour books and personalized and mass marketing products
- The Printing Sector represents **56.9%** of our consolidated[1] adjusted revenues[2] in 2018

MEDIA

- Leader in its specialty media segments in Canada
- Canada's largest publisher of French-language educational resources
- Over **350 employees**
- **14 flagship brands** catering to the business, financial and construction sectors, including an event planning component
- **12,500 book titles published**
- The Media Sector represents **4.7%** of our consolidated[1] adjusted revenues[2] in 2018

[1] Excluding inter-segment eliminations.

[2] Non-IFRS financial measure. Revenues before the accelerated recognition of deferred revenues*.

* Related to the agreement signed with The Hearst Corporation on December 21, 2017. Please refer to note 31, "New agreement with Hearst", in the annual consolidated financial statements for the fiscal year ended October 28, 2018.

As at December 13, 2018



CHAIR OF THE BOARD

LETTER

Isabelle Marcoux

A HISTORIC AND TRANSFORMATIONAL YEAR IN TC TRANSCONTINENTAL'S 42 YEARS OF EXISTENCE. THAT IS HOW I WOULD DESCRIBE 2018, A YEAR THAT WAS MARKED BY NUMEROUS ACCOMPLISHMENTS.

At every step of the process, the members of the Board rigorously guided management. Their strategic contribution made it possible for our teams to move forward with confidence on this transformational journey.

After having diligently built our flexible packaging platform through strategic and targeted acquisitions over the past four years, we were finally ready to avail ourselves of a true platform. As such, on May 1, 2018, the Corporation completed the acquisition of Coveris Americas, thus becoming a North American leader in flexible packaging. I am extremely proud of that. This major transaction, the largest in our history, was executed with the full support of our Board of Directors, including that of my family members. It is aligned with our commitment to the long-term profitable growth of TC Transcontinental. It also reflects our desire to see the Corporation flourish over the long term among the jewels of corporate Québec and Canada, with a growing presence beyond our borders.

We gave serious consideration to the acquisition of Coveris Americas. In the months prior to the transaction announcement, we developed an in-depth understanding of the assets. In this way, we were able to make an informed decision and manage our risks in a calculated manner, as we have always done.

At every step of the process, the members of the Board rigorously guided management. Their strategic contribution made it possible for our teams to move forward with confidence on this transformational journey. On behalf of TC Transcontinental, I sincerely thank them for giving us direction and contributing to our continued success with their vast experience on a national and international scale. Their combined paths create a most powerful dynamic and provide us with exemplary governance.

Under the exceptional leadership of François Olivier, our executive management team made our strategic shift into flexible packaging a reality. Our executives also focused on maintaining our leadership position in our Printing Sector and in our specialty media segments while tirelessly ensuring that we achieve our business objectives. I commend their hard work, energy and enthusiasm for TC Transcontinental's success.

Beyond our financial results, corporate social responsibility (CSR) remains more than ever at the forefront of our priorities. We foster a long-term vision and aspire to pass on the legacy of a solid, responsible corporate citizen. Our 2016-2018 CSR plan, "Driving Sustainable Results", just came to an end and we are preparing our three-year report. I invite you to read some of the highlights of our actions in 2018 in the following pages. As we head into 2019, we are already preparing our next CSR plan. Rest assured that we intend to remain a leader in this regard throughout our transformation, by setting objectives namely in terms of developing products that are recyclable, compostable and made from recycled plastic to reduce our environmental footprint, and by helping our customers do the same.

At the same time, we will double our efforts in the months and years to come in order to increase representation of women among our leadership. At TC Transcontinental, we embrace strong values of respect, teamwork, performance and innovation. Naturally, we also promote a culture of inclusion and diversity that has already been integrated across some of our programs and policies. We will continue to advance in this direction through specific targets and performance indicators.

I take this opportunity to warmly thank Richard Fortin who has informed us that he does not intend to stand for re-election as a member of our Board. Having served on our Board since 2004, Mr. Fortin has been a constant ally who played a pivotal role in the midst of our transformation. A man of vision, he has nurtured TC Transcontinental's ambition and instilled in us his forward-thinking mindset. As Lead Director and Chair of the Audit Committee, Mr. Fortin has always put his deep financial expertise and critical thinking to the service of the Corporation. For that, we are infinitely grateful to him. I also reiterate our welcome to Peter Brues who joined the Board last September. Mr. Brues' vast experience in packaging has already proven to be a valuable asset as we pursue our growth in this industry.

Finally, I would like to sincerely thank all of our shareholders for their support and for believing in us. Thank you for your trust. Thank you for sharing our vision.

Chair of the Board,

Isabelle Marcoux
December 13, 2018

BOARD OF DIRECTORS

01.

Isabelle Marcoux

Chair of the Board,
Transcontinental Inc.

02.

H. Peter Brues [2]

Corporate Director

Has worked for over 20 years at Amcor Ltd., namely as President of Amcor Flexibles, Europe & Americas

03.

Jacynthe Côté [2]

Corporate Director

Has worked for over 25 years at Alcan, namely as President and Chief Executive Officer of Rio Tinto Alcan

04.

Richard Fortin [1 4]

Corporate Director

Has worked for over 25 years at Alimentation Couche-Tard Inc., namely as Chairman of the Board

05.

Yves Leduc [3]

President and Chief Executive Officer,
Velan Inc.

06.

Nathalie Marcoux

Vice President, Finance,
Capinabel Inc.

07.

Pierre Marcoux

President,
TC Media

08.

Rémi Marcoux, C.M., O.Q., FCPA, FCA

Founder and Director,
Transcontinental Inc.

09.

Anna Martini, FCPA, FCA [1 2]

Executive Vice President and
Chief Financial Officer, Club de hockey Canadien, Bell Centre and evenko

10.

François Olivier

President and Chief Executive Officer,
Transcontinental Inc.

11.

Mario Plourde [3]

President and Chief Executive Officer,
Cascades Inc.

12.

Jean Raymond [2]

Vice-Chairman, Managing Director and Head of CIBC Capital Markets – Québec,
CIBC World Markets Inc.

13.

François R. Roy [1]

Corporate Director

Has worked as a financial executive, namely at McGill University, Telemedia Corporation and Quebecor Inc.

14.

Annie Thabet [1 3]

Partner,
Celtis Capital Inc.

As at December 13, 2018

1 Member of the Audit Committee

2 Member of the Human Resources and Compensation Committee

3 Member of the Corporate Governance Committee

4 Lead Director



01.



02.



03.



04.



05.



06.



07.



08.



09.



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11.



12.



13.



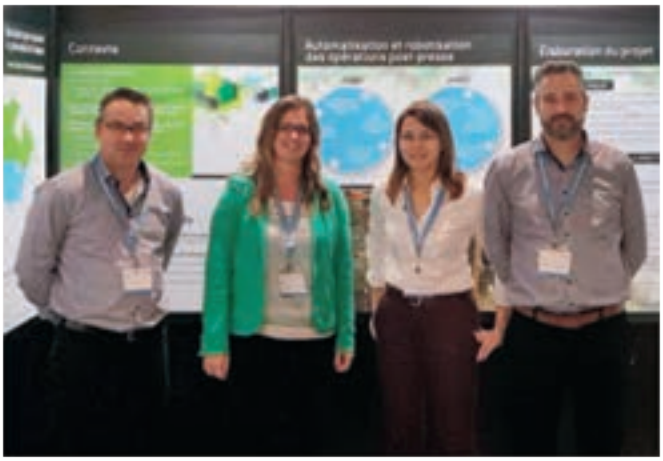
14.

CORPORATE SOCIAL RESPONSIBILITY

IN ADDITION TO MARKING A HISTORIC TURNING POINT IN THE TRANSFORMATION OF THE CORPORATION, FISCAL 2018 IS ALSO THE END OF A CHAPTER IN OUR CORPORATE SOCIAL RESPONSIBILITY (CSR) JOURNEY. OUR 2016-2018 THREE-YEAR PLAN ENTITLED "DRIVING SUSTAINABLE RESULTS", EFFECTIVELY COMES TO AN END THIS YEAR. THIS PLAN, PRESENTING 13 OBJECTIVES OF THE CORPORATION WITH RESPECT TO FOUR MAJOR THEMES (EMPLOYEES, COMMUNITY, PROSPERITY AND ENVIRONMENT), WILL SOON BE REPLACED BY A NEW PLAN IN RESPONSE TO THE ISSUES RAISED BY OUR STAKEHOLDERS DURING A LARGE-SCALE CONSULTATION OVER THE SUMMER (SEE PAGE 11)

In the meantime, we have once again increased the number of inspiring projects over the last 12 months, by investing in the development and wellness of our employees, fostering growth in the communities in which we operate, ensuring the profitable growth of our organization and adopting good practices to limit our environmental impact.

Here are a few notable examples.



Innovation at its best for Transcontinental Saint-Hyacinthe: Industry 4.0

With its cutting-edge automation project, Transcontinental Saint-Hyacinthe stood out as a high-performing and strategic plant at the Salon des Meilleures Pratiques d'Affaires (*Best Business Practices Show*) organized by the Mouvement québécois de la qualité. Participating for the first time in the event held at the Palais des congrès de Montréal, with 3,000 visitors in attendance, TC Transcontinental Printing proudly took its place in Pavillon 4.0, alongside other organizations who are shifting toward the 4th industrial revolution, commonly referred to as "Industry 4.0" or "Smart Factory". Having diligently worked on executing this automation, it is with pride and enthusiasm that the team on site explained the development, objectives, challenges, change management, work flow and results. The project was nominated for the *Jury Favourite* award.



Ecodesign: Gold for our compostable peanut bag

TC Transcontinental Packaging distinguished itself at the 2018 Flexible Packaging Achievement Awards taking the Gold in the Sustainability category for its compostable peanut bag. This prestigious acknowledgment from the Flexible Packaging Association (FPA) highlighted the colossal work done by our teams at Transcontinental Ultra Flex in Brooklyn, in the United States, in order to design a highly innovative bag made from certified compostable materials. This success was made possible thanks to the collaboration of the customer and many partners, and demonstrates a joint commitment to ecodesign across the entire supply chain. This progress helps support the green initiatives of sports organizations by diverting a residual material commonly found in stadiums and arenas away from landfills.

TC Transcontinental named for the 15th year as one of Canada's 50 best corporate citizens in the 2018 Corporate Knights ranking.

BEST 50 CORPORATE CITIZENS

More electric charging stations

In Canada, it is well known that about a quarter of greenhouse gas emissions originate from the transportation sector. To resolve this situation, vehicle electrification has been identified as a key solution. This is why TC Transcontinental has put in place a program for the installation of electric charging stations in its business units, enabling its employees with an electric or hybrid vehicle to charge it during work hours. Over the past two years, three projects have already been completed at Transcontinental Ross-Ellis, Transcontinental Vaughan and at our offices in Rivière-des-Prairies. This program notably enables us to highlight the efforts of our employees who have made a decision that is respectful of the environment in using a hybrid or electric car, in addition to inspiring their colleagues to do the same.





Knowledge sharing with our employees and customers: TC University

Through our training program *TC University – Flexible Packaging Up Close*, we share the knowledge of our experts with our employees and our customers in order to further their understanding of the flexible packaging industry, from prepress to converting. Coveris Americas, acquired in 2018, also offered this type of training, *College of Knowledge*. Overall, 16 employees and 80 customers from our combined companies participated in 4 one-day seminars offering a unique combination of theory and practical, including a plant visit. Polymer extrusion and process, properties of packaging materials, lamination technology are all part of the training available. Based on the demand for them and on their relevance, 2019 also looks like a promising year for more of these educational encounters.

Combining plant safety and generosity in the community

TC Transcontinental's Health, Safety and Community Partner Program was launched in 2017. A year later, a sum of $33,000 has been distributed to 11 of our business units. On an annual basis, the program effectively rewards business units in the Printing Sector and the Packaging Sector that had one or more years without a lost time accident by providing them with a monetary sum of $1,000 to $5,000 to be donated to the registered charitable organization of their choice. One of the objectives is to help employees support social causes that are relevant to them and thus become ambassadors for TC Transcontinental in the local communities. In this way, not only does the winning business unit implement a safer work environment, but it also invests in the well-being of communities, namely towards aid for the most vulnerable, education and health.



The Montréal Premedia Team presents a check to the CHU Sainte-Justine Foundation



Transcontinental Halifax presents a check to *Phoenix Youth Programs*

Deep community engagement

Isabelle Marcoux, our Chair of the Board, and François Olivier, our President and Chief Executive Officer, demonstrate a deep and steadfast community engagement, both in their personal and professional lives. Portage, a non-profit organization long supported by our executives and by TC Transcontinental, honoured this unwavering commitment at the 15th edition of the *Soirée des Grands Philanthropes* which gathered 750 guests in Montréal on September 20. This event in the spirit of generosity and pride, helped raise a net amount of over $1,250,000 for Portage, thanks in part to our many partners to whom we are grateful for their invaluable contribution.



Air quality: installation of an oxidizer at Transcontinental Flexstar

In 2018, a major project was rolled-out at our Transcontinental Flexstar plant, located in Richmond, British Columbia, in order to reduce our impact on air quality. The ink drying process, whether for printing on paper or plastic, emits volatile organic compounds (VOCs) known for potentially contributing to smog creation. We are therefore continually looking to limit and control these emissions, both at the source through the choice of new products and by capturing press emissions and burning them in oxidizers. Transcontinental Flexstar opted for the latter solution as a regenerative thermal oxidizer was installed to ensure the destruction of VOCs, thereby reducing this plant's emissions by more than 90%. TC Transcontinental thus became a pioneer in the packaging industry in Metro Vancouver in terms of environmental performance.



Solidarity through the storm

We understand that climate change will increase the frequency and intensity of natural disasters. In this respect, several TC Transcontinental Packaging sites in southeastern United States were fully impacted or under threat in 2018. In such cases, we witnessed exceptional shows of solidarity, led by truly committed managers, with the constant support of TC Transcontinental's management. For example, employees at Transcontinental Griffin in Georgia quickly mobilized themselves to deliver basic emergency supplies (water, food, etc.) to colleagues at our Albany plant who went through a difficult time during Hurricane Michael. Transcontinental Thomasville followed suit by organizing a fundraiser to collect donations, water and cleaning products that were in turn sent to employees in Albany. These inter-plant expressions of solidarity are deeply inspiring and attest to the company's values.

Putting Canadian innovators up to a recycling challenge

Several TC Transcontinental packaging plants produce multi-layer plastic packaging, sold as bags, pouches or rollstock. This production generates, among other things, post-production waste of laminated plastics which are difficult to recycle. Given our high environmental performance objectives, we are seeking to identify alternative methods to promote the reuse or recycling of our operational waste. In 2018, we therefore turned to Écotech Québec, an organization aiming to promote the development of clean technologies in Québec, to challenge Canadian innovators to find solutions to this situation. Following this process, we received eight interesting proposals, which are currently in the discussion and feasibility analysis phase. We are confident that some of these projects will come to fruition in 2019, better enabling a circular economy within our industry.

These inter-plant expressions of solidarity are deeply inspiring and attest to the company's values.

Stakeholder consultation and 2021 three-year plan

We believe that establishing lasting relationships with our stakeholders is essential; by gaining a better understanding of their interests and concerns, we are better equipped to meet their expectations and thus ensure the continuity of the Corporation. This is why, in 2018, we put in place a stakeholder consultation program on sustainability issues, as we had done in 2015. During the summer, we therefore surveyed our employees, suppliers, customers, investors and external interest groups through interviews and questionnaires. And what a response! Close to 1,400 respondents shared with us their social, environmental or governance priorities. This process provided us with invaluable information for the development of a materiality matrix, a tool that ranks social responsibility issues affecting a company's strategy. This matrix will be the focal point in setting the priorities and objectives for our next 2019-2021 three-year corporate social responsibility plan, which will be published in the spring of 2019 and will encompass the new realities of our organization.



PAVING THE WAY FOR OUR FUTURE

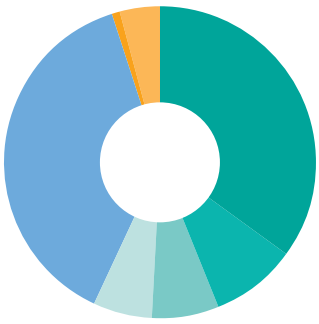
REVIEW OF OPERATIONS BY PRESIDENT AND CHIEF EXECUTIVE OFFICER

François Olivier

HAVING JUST ENDED, 2018 WILL BE A YEAR TO REMEMBER FOR ALL OUR STAKEHOLDERS AND FOR ME AS WELL. FILLED WITH IMPACTFUL PROJECTS, IT WAS MARKED BY THE LARGEST ACQUISITION IN OUR HISTORY, THAT OF COVERIS AMERICAS, A MAJOR TRANSACTION THAT PAVED THE WAY FOR THE FUTURE OF TC TRANSCONTINENTAL. A SPRINGBOARD FOR WELL-THOUGHT-OUT GROWTH, THIS LANDMARK YEAR ENABLED ME TO ONCE AGAIN APPRECIATE THAT OUR TALENTED PEOPLE ARE RIGHT AT THE HEART OF OUR SUCCESS. BY EXECUTING OUR BUSINESS STRATEGY TOGETHER, WE HAVE CROSSED A HISTORIC THRESHOLD IN OUR TRANSFORMATION AND ACCELERATED OUR GROWTH IN FLEXIBLE PACKAGING. OUR FINANCIAL PERFORMANCE IN 2018 IS A TESTAMENT TO THAT.

2018 adjusted revenues[1] by business activities

(as a percentage of consolidated[2] adjusted revenues[1])



Printing
- 35% Retailer-related services
- 9% Magazines and books
- 7% Newspapers
- 6% Marketing products

Packaging
- 38% Packaging

Media
- 4% Business and Education
- 1% Local Solutions[3]

[1] Non-IFRS financial measure. Revenues before the accelerated recognition of deferred revenues related to the agreement signed with The Hearst Corporation on December 21, 2017. Please refer to note 31, "New agreement with Hearst", to the annual consolidated financial statements for the fiscal year ended October 28, 2018.

[2] Excluding inter-segment eliminations.

[3] In 2018, the sale process of our local and regional newspapers in Québec was finalized.

In 2018, our consolidated revenues experienced notable growth. They went from $2,007.2 million in fiscal 2017 to $2,623.5 million for the same period in 2018, representing an increase of $616.3 million, or 30.7%. Excluding the $102.1 million favourable effect of the accelerated recognition of deferred revenues related to the agreement signed with The Hearst Corporation in December 2017, adjusted revenues[1] went from $2,007.2 million in fiscal 2017 to $2,521.4 million for the corresponding period in 2018, an increase of 25.6%.

This considerable increase is mainly attributable to the contribution from our strategic acquisitions in our Packaging Sector, particularly that of Coveris Americas, which has generated significant revenues since the transaction was completed on May 1. Growth in our consolidated adjusted revenues[1] was however slightly offset by certain factors, namely the sale of our local and regional newspapers in Québec as part of our business strategy.

Operating earnings increased by $65.6 million compared to the previous fiscal year, or 21.7% to $367.6 million in 2018. Adjusted operating earnings[2] went from $310.7 million[3] in fiscal 2017 to $356.8 million for the same period in 2018, an increase of $46.1 million or 14.8%. Excluding the favourable effect of the stock-based compensation expense, which decreased by $18.9 million as a result of the change in the share price in fiscal 2018 compared to the same period in 2017, and the unfavourable non-cash impact of the end of the recognition of deferred revenue from the printing contracts for the *San Francisco Chronicle*, *La Presse* and *The Globe and Mail* in the Maritimes, adjusted operating earnings[2] increased by $56.1 million, or 18.1%.

[1] Non-IFRS financial measure. Revenues before the accelerated recognition of deferred revenues*.

[2] Non-IFRS financial measure. Operating earnings before the accelerated recognition of deferred revenues*, accelerated depreciation*, restructuring and other costs (gains), impairment of assets, as well as amortization of intangible assets and reversal of the fair value adjustment of inventory sold arising from business combinations.

[3] Adjusted operating earnings in 2017 are presented on a comparable basis to 2018 according to the change in the definition of this measure.

* Related to the agreement signed with The Hearst Corporation on December 21, 2017. Please refer to note 31, "New agreement with Hearst", to the annual consolidated financial statements for the fiscal year ended October 28, 2018.

Net earnings went from $211.5 million in 2017 to $213.4 million in 2018. For a fourth consecutive year, adjusted net earnings[4] were at a historic record since the founding of TC Transcontinental, increasing 12.0% compared with the previous year to $239.4 million.

Once again, TC Transcontinental continued to generate significant cash flows in 2018. For the fiscal year just ended, cash flows generated by operating activities before changes in non-cash operating items and income taxes paid totalled $539.2 million. We also received $35.0 million from our sale process of media assets in Québec as well as from the sale of our stake in CEDROM-SNi Inc.

In order to realize our growth ambitions and our strategic shift into flexible packaging, in 2018, we invested close to $1.8 billion in multiple acquisitions, including Coveris Americas, Multifilm Packaging Corporation and Les Industries Flexipak Inc. We also completed promising acquisitions for TC Media, namely Contech, in event planning, and Somabec and Edisem, in our book distribution and publishing activities.

Furthermore, we spent a total of $80.0 million in capital expenditures, including intangible assets. Finally, we distributed $68.6 million in dividends to our shareholders and repurchased $23.6 million in shares.

With our solid financial position, in 2018, we took a major step forward by completing the transformational acquisition of Coveris Americas for a purchase price of US$1.32 billion, or approximately C$1.69 billion. In order to finance this acquisition, the Corporation namely drew funds from fully-committed new term debt and existing credit facilities, that contributed to the $1,319.3 million increase in our net indebtedness[5], which stands at $1,420.5 million at the end of fiscal 2018. As for our pro forma 2018 net indebtedness ratio[6], it stands at 2.7x and we expect it will decline below 2.0x by the end of fiscal 2020.

Overall, we are very satisfied with our fiscal 2018 financial results which reflect our aspirations of profitable long-term growth.

[4] Non-IFRS financial measure. Net earnings before the accelerated recognition of deferred revenues*, accelerated depreciation*, restructuring and other costs (gains), impairment of assets, amortization of intangible assets and the reversal of the fair value adjustment of inventory sold arising from business combinations, net of related income taxes, as well as the impact of the U.S. tax reform on deferred taxes. Adjusted net earnings in 2017 are presented on a comparable basis to 2018 according to the change in the definition of this measure.

[5] Total of long-term debt plus current portion of long-term debt less cash.

[6] Net indebtedness divided by the last 12 months' adjusted operating earnings before depreciation and amortization, plus the effect of annualized business combinations, net of disposals.

* Related to the agreement signed with The Hearst Corporation on December 21, 2017. Please refer to note 31, "New agreement with Hearst", to the annual consolidated financial statements for the fiscal year ended October 28, 2018.

$1.8B

Amount invested in 2018 for multiple acquisitions in order to realize our growth ambitions and our strategic shift into flexible packaging

As a result, this year, packaging now accounts for 38.4% of our consolidated[7] adjusted revenues[8].

LEAPING FORWARD IN OUR TRANSFORMATION

It was only a few years ago, in 2014, that we began our transformation into flexible packaging. Our goal was and still continues to be value creation for our shareholders, and TC Transcontinental's continuity. When I look back on our journey since then, I can say that we successfully executed our business plan with agility and conviction. We made the decisions necessary to move forward and transform our portfolio of assets.

When we completed our first flexible packaging acquisition in 2014, packaging generated 2% of our consolidated[7] revenues. In 2018, it's an entirely different picture. After completing six promising acquisitions in this market, we have completed a seventh, that of Coveris Americas. A giant leap for us. As a result, this year, packaging now accounts for 38.4% of our consolidated[7] adjusted revenues[8]. Moreover, on a 2018 pro forma[9] basis, the Packaging Sector currently generates more than half of our consolidated[7] adjusted revenues[8].

I am extremely proud of that and I remain committed, along with my teams, to realizing the full potential of our assets and pursuing the development of our company.

As part of our strategic shift, we have achieved a sound balance between transformation and performance, and therefore maintained a healthy financial position. In this way, we had all the latitude needed to make a major historic acquisition such as Coveris Americas when the opportunity presented itself. As such, since 2014, we have deployed more than $2 billion to diversify our activities into flexible packaging and build a platform of 28 production plants. Indeed, today TC Transcontinental is positioned as a leader in flexible packaging in North America. Though it is true that TC Transcontinental has changed, we still remain solidly committed to maintaining our position as Canada's largest printer and as a leader in our specialty media segments.

I would now like to give you more details on our strategy for each of our business sectors while reviewing the highlights that marked 2018.

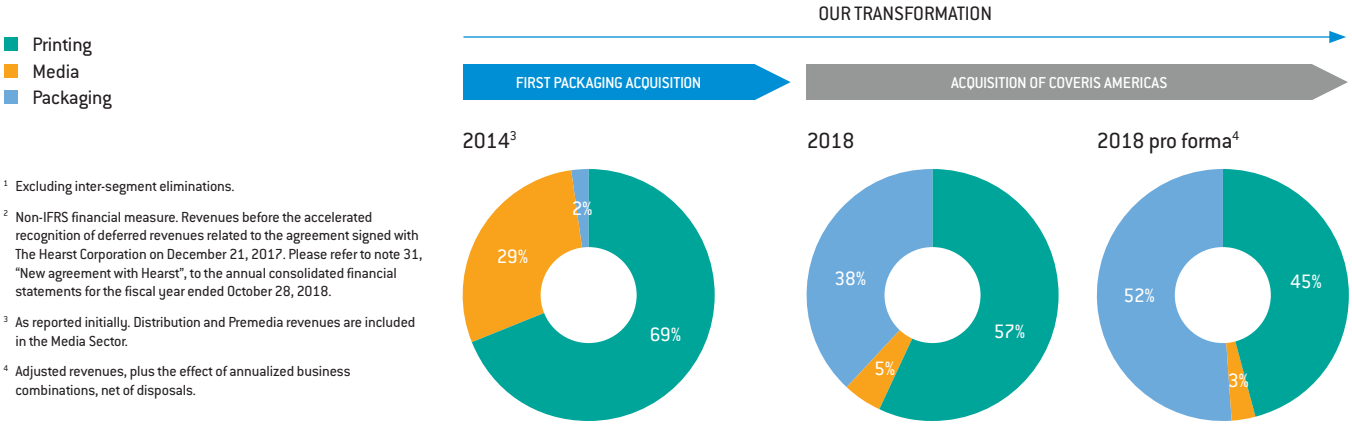
[7] Excluding inter-segment eliminations.

[8] Non-IFRS financial measure. Revenues before the accelerated recognition of deferred revenues*.

[9] Adjusted revenues, plus the effect of annualized business combinations, net of disposals.

* Related to the agreement signed with The Hearst Corporation on December 21, 2017. Please refer to note 31, "New agreement with Hearst", to the annual consolidated financial statements for the fiscal year ended October 28, 2018.

Evolution of our consolidated[1] adjusted revenue[2] composition



[1] Excluding inter-segment eliminations.

[2] Non-IFRS financial measure. Revenues before the accelerated recognition of deferred revenues related to the agreement signed with The Hearst Corporation on December 21, 2017. Please refer to note 31, "New agreement with Hearst", to the annual consolidated financial statements for the fiscal year ended October 28, 2018.

[3] As reported initially. Distribution and Premedia revenues are included in the Media Sector.

[4] Adjusted revenues, plus the effect of annualized business combinations, net of disposals.



PACKAGING

Vision: **To become a top leader in flexible packaging in North America**

Strategy: **Grow our Packaging Sector through organic sales and acquisitions**

Network: **28 production plants worldwide, mainly in the United States, Canada and Latin America, as well as one premedia studio**

During fiscal 2018, the Corporation has become a leader in flexible packaging in North America. TC Transcontinental Packaging generated 38.4% of our consolidated[10] adjusted revenues[11], or $976.6 million. This represents a growth of 216.9% compared to fiscal 2017, when packaging revenues totalled $308.2 million. This increase stems from the significant contribution of our acquisitions, most notably Coveris Americas, and, to a lesser extent, from organic sales growth. Operating earnings for the Packaging Sector grew $4.8 million compared to fiscal 2017, to reach $21.9 million in 2018. Adjusted operating earnings[12] increased $51.6 million, or 184.3%, from $28.0 million[13] in fiscal 2017 to $79.6 million in 2018. In addition, we are confident that the Coveris Americas acquisition will further contribute to our profitability during fiscal 2019 and that is why we are maintaining our previously established target.

Driving organic sales growth

The first strategic axis of our Packaging Sector is to generate sustained organic sales growth. In fiscal 2018, this organic growth was 1.2%. This result was satisfactory, though it was below the objective that we had set for ourselves for the year. Our sales teams in our existing packaging activities worked tirelessly to generate sales in our funnel and gain additional market share with our current customers. They will pursue their rigorous approach in this direction, within the context of an industry characterized by a longer sales cycle.

We also note that, during fiscal 2018, we made numerous capital investments in our packaging platform in order to modernize our equipment and create incremental capacity so that we can take on additional volume. Furthermore, the Coveris Americas plants had benefited from close to US$140 million of investments over the three years prior to the acquisition, which makes it a high-performance platform overall.

Our manufacturing capabilities, combined with our solid sales force, enable us to stay the course in generating organic revenue growth.

[10] Excluding inter-segment eliminations.

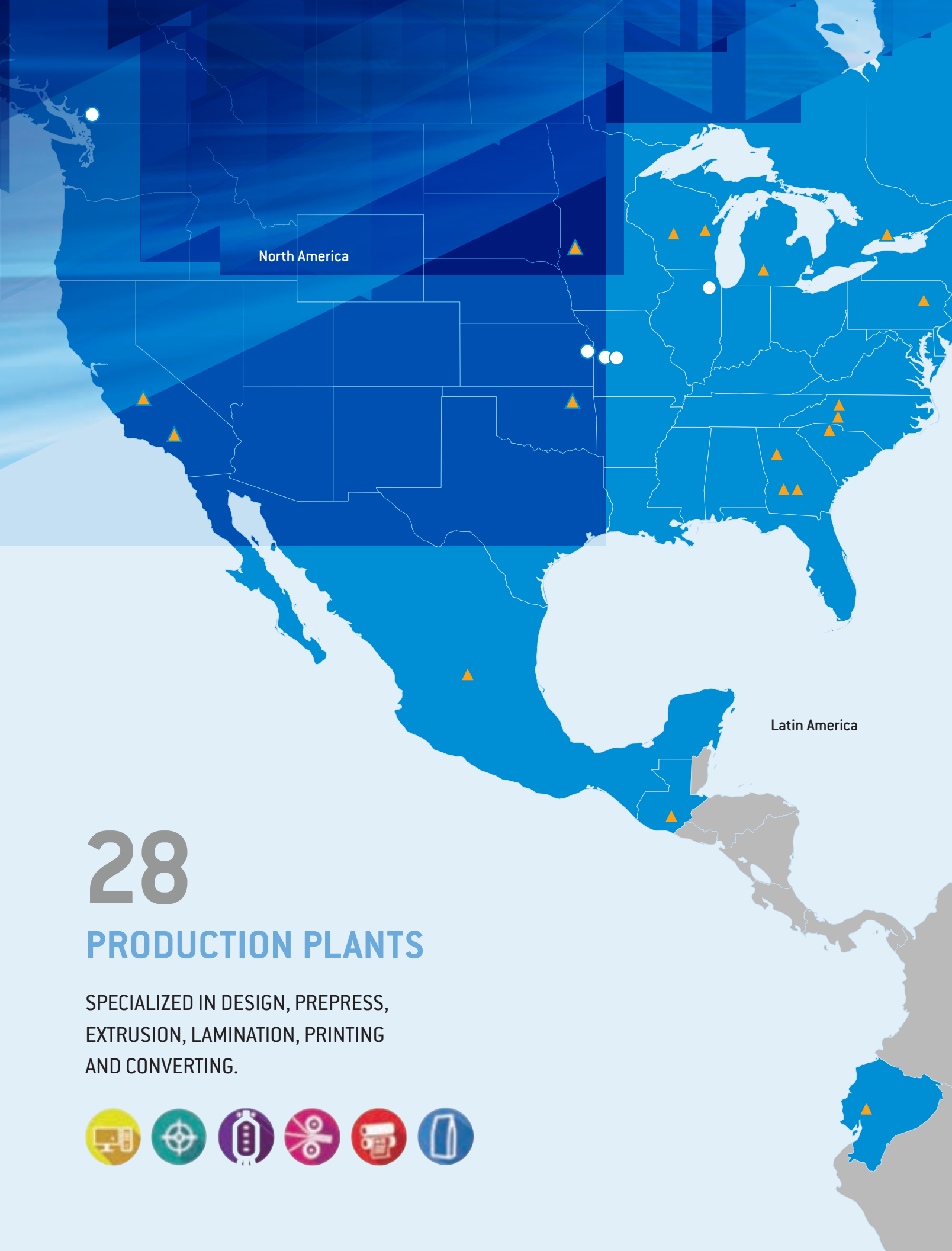
[11] Non-IFRS financial measure. Revenues before the accelerated recognition of deferred revenues*.

[12] Non-IFRS financial measure. Operating earnings before the accelerated recognition of deferred revenues*, accelerated depreciation*, restructuring and other costs (gains), impairment of assets, as well as amortization of intangible assets and reversal of the fair value adjustment of inventory sold arising from business combinations.

[13] Adjusted operating earnings in 2017 are presented on a comparable basis to 2018 according to the change in the definition of this measure.

* Related to the agreement signed with The Hearst Corporation on December 21, 2017. Please refer to note 31, "New agreement with Hearst", to the annual consolidated financial statements for the fiscal year ended October 28, 2018.





28

PRODUCTION PLANTS

SPECIALIZED IN DESIGN, PREPRESS, EXTRUSION, LAMINATION, PRINTING AND CONVERTING.



United States

19 plants

Clinton, Missouri (2)
Brooklyn, New York
Lenexa, Kansas
Elgin, Illinois
Hanford, California
Ontario, California
Albany, Georgia
Griffin, Georgia
Tifton, Georgia
Sibley, Iowa
Battle Creek, Michigan
Matthews, North Carolina
Thomasville, North Carolina
Tulsa, Oklahoma
Hazleton, Pennsylvania
Spartanburg, South Carolina
Menasha, Wisconsin
Tomah, Wisconsin

Canada

3 plants and one premedia studio

Montréal, Québec
Whitby, Ontario
Toronto, Ontario (premedia)
Richmond, British Columbia

Latin America

3 plants

San Luis Potosí, Mexico
Guayaquil, Ecuador
Guatemala City, Guatemala

Europe

Wrexham, United Kingdom

China

Guangzhou

New Zealand

Yaldhurst, Christchurch



Making strategic acquisitions

The second strategic axis for the Packaging Sector is based on growth through acquisition. 2018 was marked by three strategic acquisitions. Whether smaller or larger in size, they allowed TC Transcontinental Packaging to expand its manufacturing capabilities and enhance its product and service offering. They also made it possible for our company to pursue well-established business relationships with renowned customers and to benefit from the experience of thousands of passionate and talented people who joined TC Transcontinental's ranks. In total, we welcomed approximately 3,200 employees during the fiscal year in the Packaging Sector, which today has over 4,000 employees.

The acquisition of Les Industries Flexipak Inc., at the beginning of fiscal 2018, set the tone for a most active fiscal year on the acquisition front. This transaction helped us establish our presence in Eastern Canada with the acquisition of our first flexible packaging plant in Québec. Now renamed Transcontinental Flexipak, the plant, which is located in Ville Saint-Laurent, will gradually relocate its equipment over the course of 2019 to our site in Pointe-aux-Trembles. This site was built in 2003 to print the *La Presse* daily. We effectively decided to convert this printing plant, which had closed its doors in January 2018, into a modern flexible packaging plant. This move will enable Transcontinental Flexipak to expand and increase its production capacity. This is a concrete example of our transformation. We are proud of that, even more so given that some of our printing employees have opted to redirect themselves into the Packaging Sector to join Transcontinental Flexipak, a decision that allows them to stay within our family.

During the second quarter of 2018, we completed our sixth flexible packaging acquisition: Multifilm Packaging Corporation, located in Elgin, Illinois. A leader in high-end confectionery packaging in North America, this acquisition enabled us to expand our manufacturing capabilities, namely with aluminum foil printing and demetallization, thereby giving us the opportunity to leverage these sought-after processes within our growing packaging platform.

Then, on May 1, 2018, we completed the historic acquisition of Coveris Americas, a springboard acquisition which elevated us to the leader ranks in flexible packaging in North America. Coveris Americas, which manufactures a variety of flexible plastic and paper products, generated revenues of US$966 million[14] and adjusted operating earnings before depreciation and amortization of US$128 million[14] for its fiscal year ended December 31, 2017.

[14] Per Coveris Americas' annual financial statements, including U.S. GAAP and IFRS adjustments. Please refer to the Coveris Americas acquisition fact sheet available at www.tc.tc for reconciliation of certain non-IFRS financial measures used by the Corporation and by Coveris Americas.





Thanks to this transaction, we have considerably expanded our presence with the addition of 21 production sites to our flexible packaging platform on a global scale, mainly in North America and Latin America. It allowed us to expand TC Transcontinental Packaging's product offering with best-in-class manufacturing capabilities and greater film manufacturing capabilities. Furthermore, in the wake of this acquisition, our company is well positioned today across a broad range of growing end markets within the flexible packaging sector, namely dairy, pet food, agriculture and consumer products.

During the last two quarters of 2018, we deployed substantial efforts towards the integration of our activities. As part of this process, our management team visited all the acquired plants and was able to welcome our new talented and dedicated employees whose innovative know-how now radiates across our company. In this manner, we look to join our respective expertise and strengths, and we are working together to continue to create value for the 3,500 loyal customers of Coveris Americas that we welcomed, many of which are leaders in their markets. In fact, we have already met several of them. Overall, their perception is very positive as they know that TC Transcontinental is all about stability and long-term commitment.

We are confident about realizing our expected cost synergies of US$20 million over a 24-month period following the acquisition, including US$10 million in the first 12 months on an annualized basis. The initial synergies are primarily derived from economies of scale related to procurement as well as insourcing of prepress and plate making operations, followed by the insourcing of film manufacturing.



2019 OUTLOOK

- Realize anticipated synergies related to acquisitions
- Generate organic sales growth
- Identify complementary acquisition opportunities for our portfolio





PRINTING

Vision: **Maintain our position as Canada's largest printer**

Strategy: **Develop our product and service offering and solidify our printing platform**

Network: **16 state-of-the-art printing plants, from coast to coast**

Once again, TC Transcontinental Printing had a very good year in 2018, enabling the Corporation to maintain its position as Canada's largest printer. During fiscal 2018, the Printing Sector generated the largest proportion of our consolidated[15] adjusted revenues[16], or 56.9%. The Sector's revenues totalled $1,545.2 million, compared to $1,501.0 million for the same period in 2017. Adjusted revenues[16], which exclude $102.1 million for the accelerated recognition of deferred revenues related to the agreement signed with Hearst in December 2017, decreased by $57.9 million, or 3.9% to $1,443.1 million.

TC Transcontinental Printing's profitability remained strong, demonstrating our ability to adapt within a printing industry that is experiencing secular decline. In 2018, operating earnings for the Printing Sector increased 15.3% versus fiscal 2017, to $340.7 million. Adjusted operating earnings[17] decreased 9.3%[18] to $277.3 million in 2018. Our results are a testament to our success in maintaining our enviable position in our key verticals, such as retailer-related services. They also reflect the rigorous and high-performing management of our operating activities.

Focusing on our key verticals: path to our success

During fiscal 2018, we pursued our business plan. We continued to rigorously manage our long-term contracts with our large customers in order to solidify our position as a leader in the promising vertical of integrated retailer-related services. This service offering includes premedia services, flyer printing and door-to-door distribution, as well as in-store marketing product printing.

One of our greatest accomplishments this year was the renewal of our multiyear agreement with Loblaw Companies Limited, which includes the full range of our retailer-related services as well as additional volume for the printing of in-store marketing products, premedia services and commercial printing. Concluding such long-term agreements highlights the value-added of our integrated model for our retailer customers.

[15] Excluding inter-segment eliminations.

[16] Non-IFRS financial measure. Revenues before the accelerated recognition of deferred revenues*.

[17] Non-IFRS financial measure. Operating earnings before the accelerated recognition of deferred revenues*, accelerated depreciation*, restructuring and other costs (gains), impairment of assets, as well as amortization of intangible assets and reversal of the fair value adjustment of inventory sold arising from business combinations.

[18] Adjusted operating earnings in 2017 are presented on a comparable basis to 2018 according to the change in the definition of this measure.

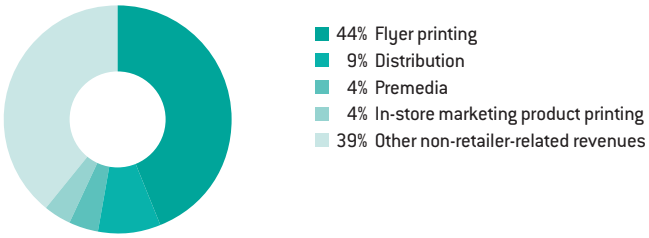
* Related to the agreement signed with The Hearst Corporation on December 21, 2017. Please refer to note 31, "New agreement with Hearst", to the annual consolidated financial statements for the fiscal year ended October 28, 2018.



I am also pleased to note the growing enthusiasm for our in-store marketing product printing services, which now represent close to $75 million in revenues on an annualized basis. Overall, demand for our retailer-related service offering remained relatively stable. Once again, these services generated the largest portion of our printing revenues, or more than 60%.

2018 Printing Sector adjusted revenues[1] by business activities

(in percentage)



[1] Non-IFRS financial measure. Revenues before the accelerated recognition of deferred revenues related to the agreement signed with The Hearst Corporation on December 21, 2017. Please refer to note 31, "New agreement with Hearst", to the annual consolidated financial statements for the fiscal year ended October 28, 2018.

Pursuing the optimization of our printing platform

In 2018, we also continued to optimize our printing platform in light of the trends affecting certain verticals in the industry. The newspaper, magazine and mass and personalized marketing product printing markets are experiencing a more pronounced decline given the migration of advertising investments into digital.

In this context, certain publishers decided to end the print version of their publications in fiscal 2018. Consequently, we adjusted the capacity of our platform and our costs to business volumes. In January 2018, we therefore consolidated our newspaper printing activities in Québec into three plants, unfortunately leading to the closure of Transcontinental Métropolitain. That being said, many of this plant's employees were reassigned to our other printing plants and some of them even chose to redirect themselves into our Packaging Sector. This operational efficiency decision contributed to protecting the sector's profitability level in 2018. At the same time, we adjusted our costs with the end of the printing of the *Globe and Mail* in the Maritimes.

Furthermore, in fiscal 2018, we decided to conclude a new agreement to transfer to Hearst the printing operations of the Fremont, California facility. As a result, since the beginning of April 2018, the *San Francisco Chronicle* and its related products are printed by our former colleagues, who are now employed by Hearst. This agreement was favourable for the Corporation as we received a cash payment of US$42.8 million as compensation for the early termination of our printing agreement, for the sale of some of our printing equipment, as well as for services rendered as part of the now-ended transitional service agreement.

We retained certain equipment from the Fremont facility which is in the process of being installed in some of our Canadian plants. This equipment will enable us to optimize the efficiency of our retail printing platform and thus contribute to reducing our costs starting at the end of fiscal 2019, with the full contribution flowing in 2020.

Finally, always aiming to improve our performance, we continued to invest capital in our printing platform this year, totalling more than $26.4[19] million.

[19] This amount includes acquisitions of property, plant and equipment.

$26.4M[19]

Amount in capital invested in our printing platform in 2018

2019 OUTLOOK

- Grow our market share in all of our verticals, particularly in the growing markets of in-store marketing product printing and premedia services
- Ensure rigorous management of our long-term contracts
- Invest in automation to improve our manufacturing efficiency
- Continue the optimization of our printing platform by aligning our capacity and costs to market demand



MEDIA

Vision: **Secure our position as a leader in our specialty media segments**

Strategy: **Develop our specialty media activities**

Portfolio: **14 specialty brands and 12,500 book titles published**

In 2018, TC Media's activities generated $115.9 million, or 4.7% of our consolidated[20] adjusted revenues[21]. These activities posted a solid operating earnings margin of 15.2% and an adjusted operating earnings margin[22] of 15.9%. Throughout our transformation, we pursued the development of our specialty brands this year by continuing to focus on our promising segments. These brands are concentrated in the business, finance and construction sectors. In addition, we worked on gaining market share in French-language educational book publishing activities, which create long-term value. In parallel, fiscal 2018 marked the end of the sale process of our local and regional newspapers in Québec, which are now owned by local owners.

[20] Excluding inter-segment eliminations.

[21] Non-IFRS financial measure. Revenues before the accelerated recognition of deferred revenues*.

[22] Non-IFRS financial measure. Operating earnings before the accelerated recognition of deferred revenues*, accelerated depreciation*, restructuring and other costs (gains), impairment of assets, as well as amortization of intangible assets and reversal of the fair value adjustment of inventory sold arising from business combinations, divided by adjusted revenues.

* Related to the agreement signed with The Hearst Corporation on December 21, 2017. Please refer to note 31, "New agreement with Hearst", to the annual consolidated financial statements for the fiscal year ended October 28, 2018.

tc • MEDIA



Growing the Business and Education Group

In fiscal 2018, our teams continued to pursue targeted strategic acquisitions. To this end, at the beginning of the year, Groupe Constructo, a TC Media business unit, announced the acquisition of Contech, a leader in the building industry for training, trade show planning, networking events and competitions for construction professionals in Québec.

Furthermore, in October 2018, TC Media acquired the pan-Canadian publisher and distributor of French-language books, Somabec, and publishing house Edisem. These renowned companies are strategic additions that, among other things, optimize our offering in the higher education markets, as well as increase our position among the leaders in this field.

Completing the sale process of our local and regional media assets

It was during fiscal 2018 that the Corporation completed the sale, announced in 2017, of its portfolio of local and regional titles in Québec. This was the end of an important chapter in our history with respect to local news publishing. We are very satisfied with the results of this sale process given that all of our local newspapers in Québec are now in the hands of local owners. We are proud to remain involved in the industry as a printer and distributor.

Seizing a promising business opportunity

After having contributed to the growth of CEDROM-SNi Inc. for two decades, we sold our 50% stake to CNW Group Ltd., a Cision company, at the beginning of fiscal 2018. This informed and propitious decision was taken to ensure the sustainability of this Québec company. The sale of the Corporation's stake in CEDROM-SNi Inc. contributed $13.4 million in cash flows this year.



15.2%

TC Media's 2018 operating earnings margin

2019 OUTLOOK

- Evaluate targeted acquisition opportunities in the Business and Education Group
- Develop our non-advertising-based product and service offering
- Adjust the cost structure and service offering of the print publications

Executive Management Committee of the Corporation



François Olivier
President and
Chief Executive Officer



Donald LeCavalier
Chief Financial Officer



Christine Desaulniers
Chief Legal Officer and
Corporate Secretary



Brian Reid
President, TC Transcontinental Printing and TC Transcontinental Packaging



Katya Laviolette
Chief Human Resources Officer



Benoit Guilbault
Chief Information Officer



Magali Depras
Chief Strategy Officer



Sam Bendavid
Vice President, Corporate Development

Other Officers of the Corporation

André Bolduc
Director, Internal Audit

Katherine Chartrand
Senior Director,
Corporate Communications

Isabelle Côté
Corporate Controller

Jacques Grégoire
President,
TC Transcontinental Printing

Isabelle Lamarre
Assistant General Counsel and
Assistant Corporate Secretary

Pierre Marcoux
President, TC Media

ACKNOWLEDGMENTS

It goes without saying that this year of leaping forward for our company would not have been possible without the commitment and rigour of our employees, each of whom contributed to exceeding our customers' expectations. I am extremely grateful to them. I am always moved by their passion for their work, especially since we welcomed many new faces and talent to the social fabric of our company this year.

I would also like to take this opportunity to acknowledge the exceptional contribution of the members of our Executive Management Committee and our other executives who shape our company everyday by rising without hesitation to the many challenges that forge our path. It is thanks to their leadership and propensity for sound management that we can focus on our objectives and our desire to build for the long term.

I would also like to express my gratitude to the members of our Board of Directors for their wise counsel, enabling our executives to be supported all throughout our transformation. Finally, to our customers who demonstrate their trust by making us their business partner, I would like to say thank you for giving us the opportunity to contribute to your success.

In conclusion, I feel optimistic about the quarters ahead. I am confident that we will successfully integrate our acquisitions, realizing anticipated synergies and continuing to generate significant cash flows which will allow us to reduce our indebtedness. We are pursuing our growth with agility and confidence. In parallel, heading into 2019, we are creating our next three-year corporate social responsibility plan and we remain resolutely focused on the future to establish specific objectives with respect to our people, our products and our operations.

The year ahead looks promising and full of developments as we intend to continue on the path of 2018 that marked our history.

President and Chief Executive Officer,

François Olivier

December 13, 2018

KEY INVESTMENT CONSIDERATIONS

In 2018, we made the largest acquisition in our history, Coveris Americas, in order to gain a major platform in flexible packaging and position ourselves as a North American leader.

Long-term value creation

TC Transcontinental has always proven its ability to adapt to the major changes that shaped the printing and media industries. In the midst of a still-evolving context, in 2014, we launched a transformation to ensure our continuity. We chose to diversify our operations into packaging, a growth area where we could leverage our manufacturing capabilities. We have progressed at a sustained pace over the last few years, multiplying the number of strategic acquisitions. In 2018, we made the largest acquisition in our history, Coveris Americas, in order to gain a major platform in flexible packaging and position ourselves as a North American leader.

With a clear strategy focused on three objectives, namely growing our operations in the packaging industry, strengthening our printing platform and developing our specialty media segments, TC Transcontinental is determined to create sustainable, long-term value by building on an already strong position.

Leader in most of our verticals

Thanks to important strategic decisions and to our leading position in our well-established verticals, we have increased our profitability and cash flows from operating activities over the past five years. Our excellent financial performance and healthy balance sheet enabled us to complete the transformational acquisition of Coveris Americas during fiscal 2018. This acquisition significantly strengthens our market share in the flexible packaging sector and gives us a strong position in many growing end markets such as dairy and pet food. It is also a creator of long-term value for our shareholders.

We are convinced that, by combining these fundamental factors with management's strong leadership and the commitment of our teams, we will be able to successfully pursue our transformation and multiply the opportunities to make our impressions count.

Sustained growth in our adjusted profitability

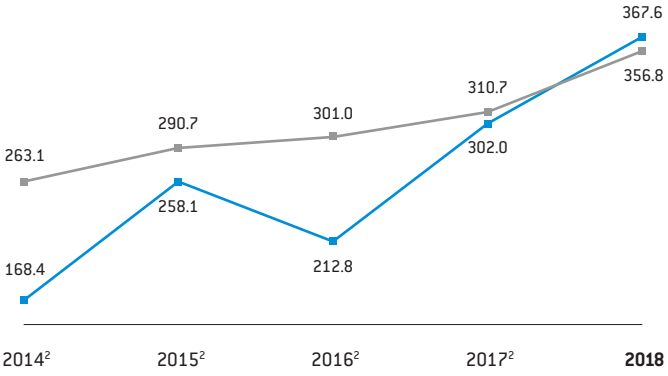
In the past five years that we have been in constant transformation, we have consistently improved our adjusted profitability. Through the execution of our business strategy supported by important strategic decisions and the implementation of operational efficiency measures, our adjusted profitability has increased every year, and at a more pronounced rate in 2018 with the transformational acquisition of Coveris Americas.

$356.8M

Adjusted operating earnings[1] of the Corporation in 2018

Operating earnings and adjusted operating earnings[1]

(in millions of dollars)



[1] Non-IFRS financial measure. Operating earnings before the accelerated recognition of deferred revenues*, accelerated depreciation*, restructuring and other costs (gains), impairment of assets, as well as amortization of intangible assets and reversal of the fair value adjustment of inventory sold arising from business combinations.

[2] Adjusted operating earnings are presented on a comparable basis to 2018 according to the change in the definition of this measure.

* Related to the agreement signed with The Hearst Corporation on December 21, 2017. Please refer to Note 31, "New agreement with Hearst", to the annual consolidated financial statements for the fiscal year ended October 28, 2018.

Significant cash flows

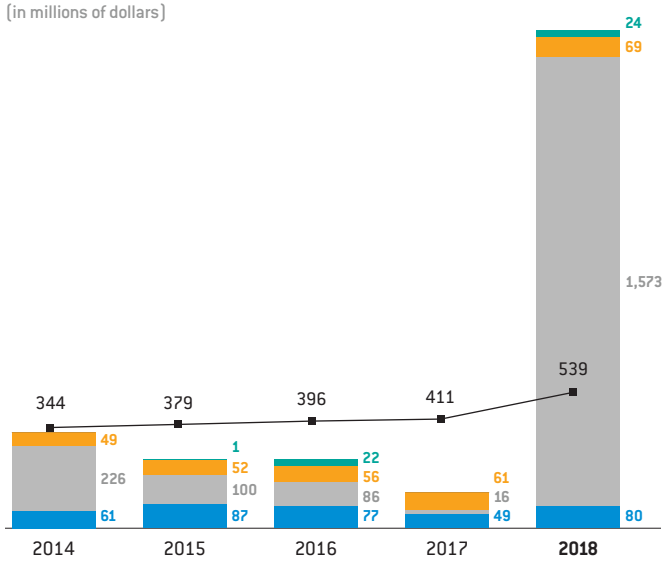
TC Transcontinental continuously generates significant cash flows from its operating activities. Since we started our transformation in 2014, our excellent financial performance has enabled us to deploy more than $2 billion to make strategic acquisitions, particularly in flexible packaging.

$539.2M

Cash flows from operating activities[1] in 2018

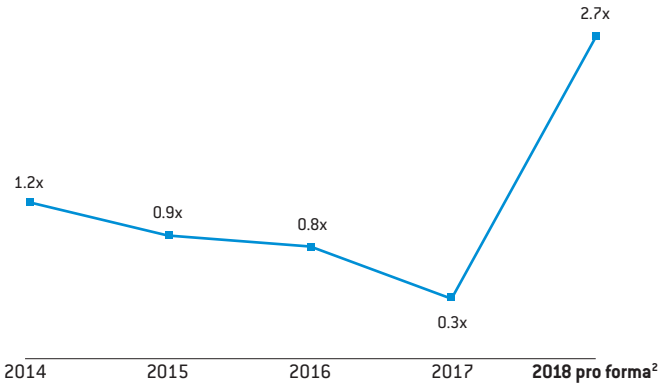
Cash flows from operating activities[1] and capital allocation

(in millions of dollars)



[1] Before changes in non-cash operating items and income taxes paid.

Net indebtedness ratio[1]



[1] Net indebtedness represents total of long-term debt plus current portion of long-term debt less cash. The net indebtedness ratio is calculated by dividing the net indebtedness by the last 12 months' adjusted operating earnings before depreciation and amortization.

[2] Net indebtedness divided by the last 12 months' adjusted operating earnings before depreciation and amortization, plus the effect of annualized business combinations, net of disposals.

Investment grade credit rating

Our objective has always been to maintain a healthy financial position and an investment grade credit rating while allowing a temporary increase in our indebtedness level in order to execute certain strategic decisions. In fact, just as we had invested more than $800 million between 2007 and 2010 to modernize our printing platform, our net indebtedness significantly increased during fiscal 2018 as a result of the transformational acquisition of Coveris Americas for a sum of US$1.32 billion (approximately C$1.69 billion). As was the case in the past, our main objective now is to reduce our net indebtedness level over the coming quarters.

2.7x

Pro forma net indebtedness ratio[2] as at October 28, 2018

Credit rating agencies

	2018	2017	2016	2015	2014
Standard & Poor's	**BBB-**	BBB-	BBB-	BBB-	BBB-
Outlook	**Negative**	Stable	Stable	Stable	Stable
Dominion Bond Rating Services	**BBB (low)**	BBB (low)	BBB (low)	BBB (low)	BBB (low)
Outlook	**Stable**	Stable	Stable	Stable	Stable

4.0%

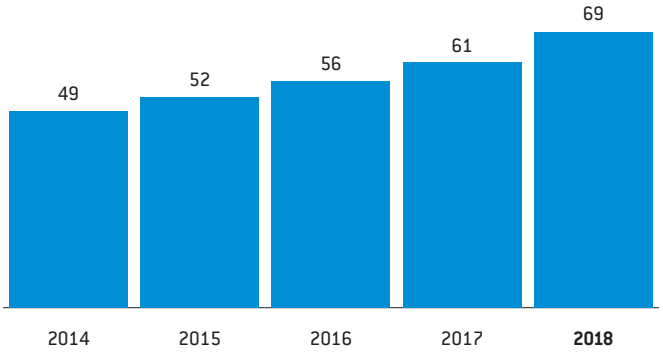
Dividend yield as at October 28, 2018

History of dividend growth

One of our capital allocation priorities has always been to pay dividends to our shareholders on a regular basis. We have continuously increased dividends distributed to them due to the significant cash flows generated from our operating activities for a total of $287 million over the past five years. In addition, we deployed more than $45 million in share buybacks by adopting an opportunistic approach.

Dividends paid to our shareholders

(in millions of dollars)



Pursuing our business activities in a socially responsible manner

Over time, TC Transcontinental has distinguished itself as a high-performing organization, which acts according to its values and demonstrates leadership in operating its activities in a responsible manner. As we pursue our transformation into flexible packaging for long-term growth, we intend to remain a leader in corporate social responsibility namely by setting objectives to reduce our environmental footprint.

Ranked 15 times by Corporate Knights as one of the Best 50 Corporate Citizens in Canada

Included in the Jantzi Social Index® since 2004

Participates in the Carbon Disclosure Project since 2012

Shareholder Information

HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED OCTOBER 28, 2018, OCTOBER 29, 2017, AND OCTOBER 31 IN PREVIOUS YEARS

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

	2018	2017[3]	2016[3]	2015[3]	2014[3]
OPERATIONS					
Revenues	**$2,623.5**	$2,007.2	$2,019.5	$2,002.2	$1,990.4
Adjusted revenues[1]	**2,521.4**	2,007.2	2,019.5	2,002.2	1,990.4
Operating earnings before depreciation and amortization	**536.7**	405.4	319.5	360.1	269.3
Adjusted operating earnings before depreciation and amortization[1]	**459.3**	396.7	390.1	378.7	354.1
Operating earnings	**367.6**	302.0	212.8	258.1	168.4
Adjusted operating earnings[1]	**356.8**	310.7	301.0	290.7	263.1
Net earnings applicable to participating shares	**213.4**	211.5	146.3	262.6	105.1
Adjusted net earnings applicable to participating shares[1]	**239.4**	213.7	208.3	196.0	171.6
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	**539.2**	410.9	396.0	378.8	344.2
Cash flows from continuing operating activities	**312.5**	324.1	273.3	288.6	336.5
INVESTING AND FINANCING					
Business combinations[2]	**1,573.3**	15.9	86.3	100.4	225.9
Acquisitions of property, plant and equipment and intangible assets	**80.0**	48.8	76.7	86.9	60.9
Dividends on participating shares	**68.6**	60.9	56.2	52.3	48.8
Participating share redemptions	**23.6**	n/a	21.5	0.7	n/a
FINANCIAL CONDITION					
Total assets	**3,782.2**	2,136.7	2,062.2	2,098.0	2,027.7
Shareholders' equity	**1,634.1**	1,218.7	1,068.7	1,016.3	793.1
Net indebtedness[1]	**1,420.5**	101.2	331.4	345.5	441.6
Corporate credit rating (DBRS)	**BBB (low), stable**	BBB (low), stable	BBB (low), stable	BBB (low), stable	BBB (low), stable
Corporate credit rating (Standard & Poor's)	**BBB-, negative**	BBB-, stable	BBB-, stable	BBB-, stable	BBB-, stable
RATIOS					
Adjusted operating earnings before amortization margin[1]	**18.2%**	19.8%	19.3%	18.9%	17.8%
Return on average equity[4]	**16.8%**	18.7%	20.0%	21.7%	21.3%
Net indebtedness ratio[1]	**3.1x**	0.3x	0.8x	0.9x	1.2x
Dividend yield on participating shares	**4.0%**	2.8%	4.0%	3.3%	4.1%

[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 34.

[2] Total consideration in cash or otherwise for businesses acquired through the purchase of shares or assets.

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

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

SHARE INFORMATION

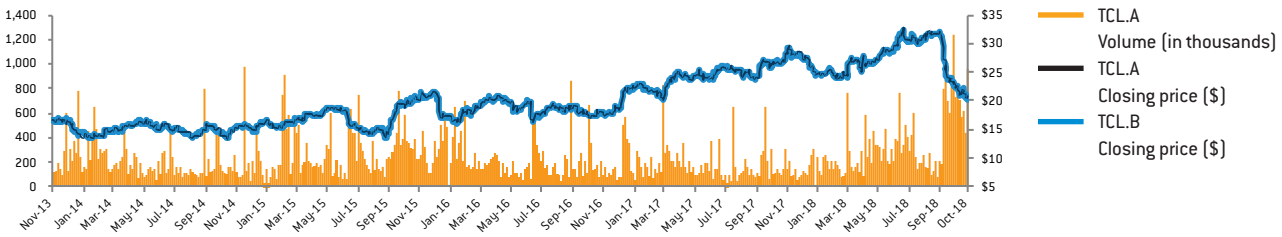
FOR THE YEARS ENDED OCTOBER 28, 2018, OCTOBER 29, 2017, AND OCTOBER 31 IN PREVIOUS YEARS

(unaudited)

	2018	2017	2016	2015	2014
TRADING OF CLASS A SUBORDINATE VOTING SHARES (TCL.A ON THE TSX)					
Intraday high	**$32.89**	$28.77	$21.85	$21.00	$17.19
Intraday low	**$20.08**	$17.18	$15.98	$13.18	$13.28
Closing	**$20.41**	$28.12	$17.94	$20.15	$15.39
Total volume of traded shares	**59,199,632**	34,120,719	42,106,534	49,634,116	38,583,259
Average daily volume of traded shares	**236,799**	137,031	167,755	198,536	153,718
TRADING OF CLASS B SHARES (TCL.B ON THE TSX)					
Intraday high	**$32.79**	$29.06	$22.57	$20.95	$17.10
Intraday low	**$20.36**	$17.37	$16.30	$13.56	$13.17
Closing	**$20.74**	$28.20	$17.92	$20.28	$15.25
Total volume of traded shares	**171,144**	267,135	261,773	325,139	107,513
Average daily volume of traded shares	**685**	1,073	1,370	1,786	757
TRADING OF SERIES D PREFERRED SHARES[1] (TCL.PR.D ON THE TSX)					
Intraday high	**n/a**	n/a	n/a	n/a	$25.68
Intraday low	**n/a**	n/a	n/a	n/a	$24.79
Closing	**n/a**	n/a	n/a	n/a	$24.99
Total volume of traded shares	**n/a**	n/a	n/a	n/a	1,239,841
Average daily volume of traded shares	**n/a**	n/a	n/a	n/a	5,254
OTHER STATISTICS					
Dividends on participating shares (in millions)	**$68.6**	$60.9	$56.2	$52.3	$48.8
Dividends on preferred shares (in millions)[1]	**n/a**	n/a	n/a	n/a	$6.8
Weighted average number of participating shares outstanding (in millions)	**82.5**	77.3	77.6	78.1	78.0
Public float (in millions)	**73.4**	64.1	64.4	65.0	64.8
Market capitalization (in millions)	**$1,821**	$2,174	$1,392	$1,575	$1,200
Enterprise value (in millions)	**$2,990**	$2,275	$1,723	$1,920	$1,642

[1] The Corporation exercised its right to redeem all outstanding Preferred Shares on October 15, 2014, for a total of $100 million.

CLOSING SHARE PRICE AND VOLUME



Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended October 28, 2018

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 28, 2018. It should be read in conjunction with the information in the annual consolidated financial statements and the accompanying notes included in this report. Additional information relating to the Corporation, including its Annual Report and Annual Information Form, may also be obtained on SEDAR at www.sedar.com.

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

In addition, in this Management's Discussion and Analysis, we also use non-IFRS financial measures for which a complete definition is presented below and for which a reconciliation to financial information in accordance with IFRS is presented in Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" and in Note 3 "Segmented Information" to the annual consolidated financial statements for the year ended October 28, 2018. During the year ended October 28, 2018, the Corporation updated its definition of certain terms presented in the table below, which now excludes the amortization of intangible assets and the reversal of the fair value adjustment of inventory sold arising from business combinations. These measures should be considered as a complement to financial performance measures in accordance with IFRS. They do not substitute and are not superior to them.

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

(1) Related to the agreement signed with The Hearst Corporation on December 21, 2017 . Please refer to Note 31, "New agreement with Hearst", to the annual consolidated financial statements for the year ended October 28, 2018.

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 the Corporation's 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 28, 2018* 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 13, 2018.

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 13, 2018. 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 a Canadian leader in its specialty media segments. For over 40 years, TC Transcontinental's mission has been to create products and services that allow businesses to attract, reach and retain their target customers.

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

Transcontinental Inc. (TSX: TCL.A TCL.B), known as TC Transcontinental, has over 9,000 employees, the majority of which are based in Canada, the United States and Latin America. TC Transcontinental had revenues of approximately C$2.6 billion for the fiscal year ended October 28, 2018. For more information, visit TC Transcontinental's website at www.tc.tc.

PREAMBLE

As of the third quarter of 2018, in connection with changes in the organizational structure and following the acquisition of Coveris Americas, the Corporation's operating segments have been modified and are now aggregated by Management into three sectors: Packaging, Printing and Media. The Corporation restated the corresponding segmented information for prior periods. The printing and packaging operations were previously presented under the Printing & Packaging Sector. The Media Sector, which previously was reported separately, is now aggregated with certain head office costs and the elimination of inter-segment sales under the "Other" category.

Packaging Sector

TC Transcontinental Packaging, the Packaging Sector of TC Transcontinental, positions itself as leader in flexible packaging in North America, and also has operations in Guatemala, Mexico, Ecuador, United Kingdom, New Zealand and China. This sector has over 4,000 employees, the majority of which are based in the United States. Its platform is comprised of one premedia studio and 28 production plants specializing in extrusion, lamination, printing and converting. TC Transcontinental Packaging offers a variety of flexible plastic and paper products, including rollstock, bags and pouches, shrink films and bags, and advanced coatings. This sector services a variety of markets, including dairy, coffee, meat and poultry, pet food, agriculture, beverage, confectionery, industrial, consumer products and supermarkets.

Printing Sector

TC Transcontinental Printing, the Printing Sector of TC Transcontinental, is the largest printer in Canada and one of the largest in North America. This sector has over 4,300 employees and possesses a network of 16 state-of-the-art plants. TC Transcontinental Printing provides an integrated service offering for retailers, including premedia services, flyer and in-store marketing product printing, 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, the Media Sector of TC Transcontinental, is a leader in its specialty media segments in Canada, with flagship brands catering to the business, financial and construction sectors, including an event planning component. This sector, which employs over 350 people, is also positioned as Canada's largest publisher of French-language educational resources.

HIGHLIGHTS FOR FISCAL 2018

Table #1:

(in millions of dollars, except per share amounts)	**2018**	2017	Variation in $	Variation in %
Revenues	**$2,623.5**	$2,007.2	$616.3	30.7 %
Adjusted revenues [1]	**2,521.4**	2,007.2	514.2	25.6
Operating earnings before depreciation and amortization	**536.7**	405.4	131.3	32.4
Adjusted operating earnings before depreciation and amortization [1]	**459.3**	396.7	62.6	15.8
Operating earnings	**367.6**	302.0	65.6	21.7
Adjusted operating earnings [1]	**356.8**	310.7	46.1	14.8
Net earnings	**213.4**	211.5	1.9	0.9
Net earnings per share	**2.59**	2.74	(0.15)	(5.5)
Adjusted net earnings [1]	**239.4**	213.7	25.7	12.0
Adjusted net earnings per share [1]	**2.91**	2.76	0.15	5.4

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

- Revenues increased by $616.3 million, or 30.7%, from $2,007.2 million to $2,623.5 million, mainly as a result of the transformational acquisition of Coveris Americas completed on May 1, 2018, which was partially mitigated by the sale of our local and regional newspaper media assets in Québec and the sale of the printing operations of our Fremont, California, plant. Adjusted revenues, which exclude the accelerated recognition of deferred revenues of $102.1 million, increased by $514.2 million, or 25.6 %, from $2,007.2 million to $2,521.4 million.
- Operating earnings increased by $65.6 million, or 21.7%, from $302.0 million to $367.6 million, mainly as a result of the accelerated recognition of deferred revenues, which was partially offset by the unfavourable impact of restructuring and other costs (gains) as well as the accelerated depreciation of equipment at our Fremont, California, printing plant. Adjusted operating earnings increased by $46.1 million, or 14.8%, from $310.7 million to $356.8 million, mainly as a result of the acquisition of Coveris Americas.
- Net earnings increased by $1.9 million, or 0.9 %, from $211.5 million to $213.4 million. On a per share basis, net earnings went from $2.74 to $2.59 due the effect of the issuance of 10.8 million Class A Subordinate Voting Shares of the Corporation. Adjusted net earnings increased by $25.7 million, or 12.0%, from $213.7 million to $239.4 million, mostly as a result of the acquisition of Coveris Americas, offset by higher financial expenses arising from said acquisition. On a per share basis, it went from $2.76 to $2.91.
- On May 1, 2018, TC Transcontinental Inc. completed the acquisition of Coveris Americas, thus becoming a North American leader in flexible packaging. The Corporation acquired 21 production facilities located in the United States, Canada, Guatemala, Mexico, Ecuador, the United Kingdom, New Zealand and China for US$1.32 billion (C$1.69 billion) and welcomed 3,100 employees.
- The Corporation financed the purchase consideration and the costs related to the acquisition of Coveris Americas through a combination of: 1) cash-on-hand for a total of $228.0 million; 2) an amount drawn from existing credit facilities of approximately $222.3 million; 3) an amount drawn from new credit facilities of $965.0 million (US$750.0 million); and 4) the net proceeds from a bought deal public offering of subscription receipts of $274.9 million.
- An agreement with The Hearst Corporation was concluded whereby the Corporation transferred to Hearst, on April 2, 2018, the printing of the *San Francisco Chronicle*. TC Transcontinental received a cash payment of US$42.8 million as compensation for the early termination of the printing contract, the sale of certain printing equipment and transition services.
- The sales process of local and regional newspapers in Québec as well as web-related properties was finalized.

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES
(unaudited)

The financial information has been prepared in accordance with IFRS. However, financial measures used, namely the adjusted revenues, the adjusted operating earnings before depreciation and amortization, the adjusted operating earnings, the adjusted net earnings, the adjusted net earnings per share, the 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. During the third quarter of 2018, the Corporation updated its definition of certain terms presented in the tables hereafter, which now excludes the amortization of intangible assets and the reversal of the fair value adjustment of inventory sold arising from business combinations. 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 the adjusted revenues, the adjusted operating earnings before depreciation and amortization, the adjusted operating earnings, that takes into account the impact of past investments in property, plant and equipment and intangible assets, and the adjusted net earnings are useful indicators of the performance of our operations. Furthermore, management also uses some of these non-IFRS financial measures to assess the performance of its activities and managers.

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

Table #2:

Reconciliation of revenues - Fourth quarter and fiscal year

	Three months ended		Year ended	
(in millions of dollars)	**October 28, 2018**	October 29, 2017	**October 28, 2018**	October 29, 2017
Revenues	**$829.2**	$527.2	**$2,623.5**	$2,007.2
Accelerated recognition of deferred revenues [1]	**—**	—	**(102.1)**	—
Adjusted revenues	**$829.2**	$527.2	**$2,521.4**	$2,007.2

(1) Related to the agreement signed with Hearst on December 21, 2017. Please refer to Note 31, "New agreement with Hearst", to the annual consolidated financial statements for the year ended October 28, 2018.

Reconciliation of operating earnings - Fourth quarter and fiscal year

	Three months ended		Year ended	
(in millions of dollars)	**October 28, 2018**	October 29, 2017	**October 28, 2018**	October 29, 2017
Operating earnings	**$105.5**	$103.6	**$367.6**	$302.0
Accelerated recognition of deferred revenues [1]	**—**	—	**(102.1)**	—
Accelerated depreciation [1]	**—**	—	**22.0**	—
Restructuring and other costs (gains)	**8.6**	(7.6)	**8.6**	(13.6)
Impairment of assets	**—**	2.4	**6.6**	4.9
Amortization of intangible assets arising from business combinations [2]	**17.5**	4.0	**44.6**	17.4
Reversal of the fair value adjustment of inventory sold arising from business combinations	**—**	—	**9.5**	—
Adjusted operating earnings	**$131.6**	$102.4	**$356.8**	$310.7
Depreciation and amortization [3]	**30.6**	20.9	**124.5**	86.0
Accelerated depreciation [1]	**—**	—	**(22.0)**	—
Adjusted operating earnings before depreciation and amortization	**$162.2**	$123.3	**$459.3**	$396.7

(1) Related to the agreement signed with Hearst on December 21, 2017. Please refer to Note 31, "New agreement with Hearst", to the annual consolidated financial statements for the year ended October 28, 2018.
(2) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.
(3) Depreciation and amortization exclude amortization of intangible assets arising from business combinations presented above.

Reconciliation of net earnings - Fiscal year

	Year ended			
	October 28, 2018		October 29, 2017	
(in millions of dollars, except per share amounts)	**Total**	**Per share**	Total	Per share
Net earnings	**$213.4**	**$2.59**	$211.5	$2.74
Accelerated recognition of deferred revenues, net of related income taxes [1]	**(75.4)**	**(0.91)**	—	—
Accelerated depreciation, net of related income taxes [1]	**16.3**	**0.20**	—	—
Restructuring and other costs (gains), net of related income taxes	**3.0**	**0.04**	(12.8)	(0.17)
Impairment of assets, net of related income taxes	**4.9**	**0.06**	3.5	0.05
Impact of the U.S. tax reform on deferred taxes	**36.6**	**0.44**	—	—
Amortization of intangible assets arising from business combinations, net of related income taxes [2]	**33.4**	**0.40**	11.5	0.14
Reversal of the fair value adjustment of inventory sold arising from business combinations, net of related income taxes	**7.2**	**0.09**	—	—
Adjusted net earnings	**$239.4**	**$2.91**	$213.7	$2.76

(1) Related to the agreement signed with Hearst on December 21, 2017. Please refer to Note 31, "New agreement with Hearst", to the annual consolidated financial statements for the year ended October 28, 2018.
(2) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.

Reconciliation of net earnings - Fourth quarter

	Three months ended			
	October 28, 2018		October 29, 2017	
(in millions of dollars, except per share amounts)	**Total**	**Per share**	Total	Per share
Net earnings	**$67.0**	**$0.76**	$73.4	$0.95
Restructuring and other costs (gains), net of related income taxes	**6.6**	**0.08**	(6.8)	(0.09)
Impairment of assets, net of related income taxes	**—**	**—**	1.7	0.02
Amortization of intangible assets arising from business combinations, net of related income taxes [1]	**13.4**	**0.15**	2.7	0.03
Adjusted net earnings	**$87.0**	**$0.99**	$71.0	$0.91

(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 October 28, 2018**	As at October 29, 2017
Long-term debt	**$1,209.8**	$348.3
Current portion of long-term debt	**251.2**	—
Cash	**(40.5)**	(247.1)
Net indebtedness	**$1,420.5**	$101.2
Adjusted operating earnings before depreciation and amortization (last 12 months)	**$459.3**	$396.7
Net indebtedness ratio	**3.1 x**	0.3 x

ANALYSIS OF CONSOLIDATED RESULTS - FISCAL YEAR

Revenues

Revenues increased by $616.3 million, or 30.7%, from $2,007.2 million in fiscal 2017 to $2,623.5 million in fiscal 2018. This increase is mainly attributable to the contribution from acquisitions, in particular that of Coveris Americas, and to the $102.1 million favourable effect of the accelerated recognition of deferred revenues related to the agreement signed with Hearst in December 2017. This increase was partially offset by the effect of disposals and closures, the unfavourable exchange rate effect and, to a lesser extent, the organic decline in revenues in certain of the Printing Sector verticals. Excluding the favourable effect of the accelerated recognition of deferred revenues, adjusted revenues increased by $514.2 million, or 25.6%, to $2,521.4 million. A more detailed analysis of adjusted revenues is presented in the "Analysis of Sector Results - Fiscal Year" section.

Operating and Other Expenses

Operating expenses increased by $461.1 million, or 28.6%, in fiscal 2018 compared to fiscal 2017. Excluding the stock-based compensation expense, which decreased by $18.9 million as a result of the change in the share price during these same periods, operating expenses increased by $480.0 million, or 29.8%. This increase is mostly due to the operating expenses of Coveris Americas.

Restructuring and other costs (gains) went from a gain of $13.6 million in fiscal 2017 to an expense of $8.6 million in fiscal 2018. The unfavourable effect is mostly due to acquisition and integration costs of $26.0 million related to the Coveris Americas transaction, partially offset by higher gains on the sale of certain media activities in 2018.

The asset impairment charge increased by $1.7 million, from $4.9 million in fiscal 2017 to $6.6 million in fiscal 2018. This increase is mostly due to the recording of an asset impairment charge on property, plant and equipment in connection with the closure of a Printing Sector plant in 2018.

Depreciation and amortization increased by $65.7 million, from $103.4 million in fiscal 2017 to $169.1 million in fiscal 2018, mostly as a result of the acquisition of Coveris Americas and the accelerated depreciation related to the agreement signed with Hearst.

Operating Earnings

Operating earnings increased by $65.6 million, or 21.7%, from $302.0 million in fiscal 2017 to $367.6 million in fiscal 2018. This increase is mostly attributable to the favourable effect of the accelerated recognition of deferred revenues, which was partially offset by the unfavourable impact of restructuring and other costs (gains) and the accelerated depreciation of equipment at our Fremont, California, printing plant. Adjusted operating earnings increased by $46.1 million, or 14.8%, from $310.7 million to $356.8 million in fiscal 2018. A more detailed analysis of adjusted operating earnings is presented in the "Analysis of Sector Results - Fiscal Year" section.

Net Financial Expenses

Net financial expenses increased by $18.8 million, from $17.7 million in fiscal 2017 to $36.5 million in fiscal 2018. This increase is mostly due to the increase in debt as of the third quarter of 2018, partially offset by higher interest income and higher net foreign exchange gains.

Income Taxes

Income taxes increased by $44.7 million, from $73.1 million in fiscal 2017 to $117.8 million in fiscal 2018 as a result of the increase in operating earnings and the impact of the U.S. tax reform on deferred taxes. On December 22, 2017, the *Tax Cuts and Jobs Act,* which reforms income taxes in the United States, was enacted. This reform, which lowers the federal statutory tax rate for U.S. corporations from a progressive tax rate of up to 35% to a fixed rate of 21% effective January 1, 2018, reduced previously recognized deferred tax assets by $36.6 million. Adjusted income taxes amounted to $81.2 million in fiscal 2018, for an effective tax rate of 25.4%, compared to $79.6 million in fiscal 2017, for an effective tax rate of 27.0%. This decrease in the effective tax rate is mostly attributable to the lower U.S. federal statutory tax rate and the geographic distribution of earnings before taxes.

Net Earnings

Net earnings increased by $1.9 million, or 0.9%, from $211.5 million in fiscal 2017 to $213.4 million in fiscal 2018. This increase is mostly attributable to the growth in operating earnings, partially offset by higher income taxes and financial expenses. On a per share basis, net earnings went from $2.74 to $2.59, mainly due the effect of the issuance of 10.8 million Class A Subordinate Voting Shares of the Corporation at the beginning of the third quarter of 2018. Adjusted net earnings increased by $25.7 million, or 12.0%, from $213.7 million in fiscal 2017 to $239.4 million in fiscal 2018. On a per share basis, adjusted net earnings went from $2.76 to $2.91 as a result of the growth in adjusted operating earnings, partially offset by higher financial expenses and the effect of the issuance of 10.8 million Class A Subordinate Voting Shares of the Corporation at the beginning of the third quarter of 2018.

ANALYSIS OF CONSOLIDATED RESULTS - FOURTH QUARTER

Revenues

Revenues increased by $302.0 million, or 57.3%, from $527.2 million in the fourth quarter of 2017 to $829.2 million in the corresponding period in 2018. This increase is mainly attributable to the acquisition of Coveris Americas completed on May 1, 2018 and, to a lesser extent, to the favourable effect of the price increase for certain types of paper in the Printing Sector. This increase was slightly mitigated by the effect of disposals of local newspapers, the sale to Hearst of our California printing operations and the organic decline in revenues in certain Printing Sector verticals.

Operating and Other Expenses

Operating expenses increased by $263.1 million, or 65.1%, in the fourth quarter of 2018 compared to the corresponding period in 2017. This increase is mostly attributable to the effect of acquisitions, particularly that of Coveris Americas. Excluding the stock-based compensation expense,

which decreased by $13.1 million as a result of the change in the share price during these periods, operating expenses increased by $276.2 million, or 68.4%.

Restructuring and other costs (gains) went from a gain of $7.6 million in the fourth quarter of 2017 to an expense of $8.6 million in the fourth quarter of 2018. The unfavourable impact is mostly due to the gains realized on the sale of local newspapers in our Media Sector in 2017 as well as costs incurred in connection with the acquisition and integration of Coveris Americas in the fourth quarter of 2018.

No asset impairment charge was recorded in the fourth quarter of 2018, compared to a charge of $2.4 million in the corresponding quarter in 2017. This charge was related to production equipment and intangible assets in the newspaper publishing activities in the Media Sector.

Depreciation and amortization increased by $23.2 million, from $24.9 million in the fourth quarter of 2017 to $48.1 million in the fourth quarter of 2018, mainly as a result of Coveris Americas.

Operating Earnings

Operating earnings increased by $1.9 million, or 1.8%, from $103.6 million in the fourth quarter of 2017 to $105.5 million in the fourth quarter of 2018. This increase is mostly attributable to the lower stock-based compensation expense and the impact of the acquisition of Coveris Americas, which were partially offset by the unfavourable effect of restructuring and other costs (gains) as explained in the previous section. Adjusted operating earnings increased by $29.2 million, or 28.5%, from $102.4 million to $131.6 million. A more detailed analysis of adjusted operating earnings is presented in the "Analysis of Sector Results - Fourth Quarter" section.

Net Financial Expenses

Net financial expenses increased by $11.7 million, from $4.3 million in the fourth quarter of 2017 to $16.0 million in the fourth quarter of 2018. This increase is mainly due to the increase in long-term debt in order to finance the acquisition of Coveris Americas, slightly offset by the reversal of financial expenses related to the revision of a notice of assessment.

Income Taxes

Income taxes decreased by $3.7 million, from $26.2 million in the fourth quarter of 2017 to $22.5 million in the fourth quarter of 2018 as a result of the decrease in earnings before share of net earnings in interests in joint ventures and income taxes. Adjusted income taxes went from $27.4 million in the fourth quarter of 2017, for an effective tax rate of 27.9%, to $28.9 million in the fourth quarter of 2018, for an effective tax rate of 24.9%. This decrease in the effective tax rate is mostly attributable to the geographic distribution of earnings before taxes and the lower U.S. federal statutory tax rate.

Net Earnings

Net earnings decreased by $6.4 million, or 8.7%, from $73.4 million in the fourth quarter of 2017 to $67.0 million in the fourth quarter of 2018. This decrease is mostly due to higher financial expenses, partially offset by lower income taxes and a slight increase in operating earnings. On a per share basis, net earnings went from $0.95 to $0.76 due to the above-mentioned items, but also to the effect of the issuance of 10.8 million Class A Subordinate Voting Shares of the Corporation. Adjusted net earnings increased by $16.0 million, or 12.0%, from $71.0 million in the fourth quarter of 2017 to $87.0 million in the fourth quarter of 2018, mostly as a result of the increase in adjusted operating earnings, partially offset by higher financial expenses. On a per share basis, adjusted net earnings went from $0.91 to $0.99 as a result of the increase in adjusted net earnings, partially offset by the effect of the issuance of 10.8 million Class A Subordinate Voting Shares of the Corporation.

ANALYSIS OF SECTOR RESULTS - FISCAL YEAR
(unaudited)

Table #3:

(in millions of dollars)	Packaging Sector	Printing Sector	Other	Consolidated results
Adjusted revenues [1] - Year ended October 29, 2017	**$308.2**	**$1,501.0**	**$198.0**	**$2,007.2**
Acquisitions/disposals and closures	670.3	(44.9)	(103.0)	522.4
Existing operations				
End of the recognition of deferred revenues related to the contracts to print *La Presse* and *The Globe and Mail* in the Maritimes	—	(9.8)	—	(9.8)
Exchange rate effect	(5.7)	(2.7)	—	(8.4)
Organic growth (decline)	3.8	(0.5)	6.7	10.0
Adjusted revenues [1] - Year ended October 28, 2018	**$976.6**	**$1,443.1**	**$101.7**	**$2,521.4**
Adjusted operating earnings [1] - Year ended October 29, 2017	**$28.0**	**$305.8**	**($23.1)**	**$310.7**
Acquisitions/disposals and closures	53.6	(19.3)	(10.9)	23.4
Existing operations				
End of the recognition of deferred revenues related to the contracts to print *La Presse* and *The Globe and Mail* in the Maritimes	—	(9.8)	—	(9.8)
Exchange rate effect	(0.5)	(0.1)	—	(0.6)
Stock-based compensation	—	—	18.9	18.9
Organic growth (decline)	(1.5)	0.7	15.0	14.2
Adjusted operating earnings [1] - Year ended October 28, 2018	**$79.6**	**$277.3**	**($0.1)**	**$356.8**

(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.
Note: The data under "Acquisitions/disposals and closures" and "Organic growth (decline)" were restated with respect to the end of the recognition of deferred revenues related to the contracts to print newspapers, namely the *San Francisco Chronicle*, *La Presse* and *The Globe and Mail* in the Maritimes.

Packaging Sector

Packaging Sector revenues increased by $668.4 million, from $308.2 million in fiscal 2017 to $976.6 million in fiscal 2018. This increase is mostly attributable to the contribution from the acquisition of Coveris Americas and, to a lesser extent, of Multifilm Packaging and Les Industries Flexipak. The organic growth in revenues as a result of higher volume in our existing operations was more than offset by the unfavourable exchange rate effect.

Adjusted operating earnings increased by $51.6 million, from $28.0 million in fiscal 2017 to $79.6 million in fiscal 2018. This increase is attributable to the contribution from our acquisitions, in particular that of Coveris Americas, completed on May 1, 2018. As the profit margins of Coveris Americas are lower than those of our existing operations, the Sector's adjusted operating earnings margin decreased from 9.1% in fiscal 2017 to 8.2% in fiscal 2018. Lastly, with respect to the organic decline, the increase in raw materials costs combined with the addition of manufacturing capacity more than offset the favourable effect of the organic growth in revenues.

Printing Sector

Printing Sector adjusted revenues decreased by $57.9 million, or 3.9%, from $1,501.0 million in fiscal 2017 to $1,443.1 million in fiscal 2018. This decrease is mainly explained by the $44.9 million unfavourable effect of the sale to Hearst of our newspaper printing operations, including the $19.1 million unfavourable non-cash effect of the end of the recognition of deferred revenues (see Table #4). In addition, the end of the recognition of deferred revenues related to *La Presse* and *The Globe and Mail* in the Maritimes had an unfavourable non-cash effect of $9.8 million in fiscal 2018 (see Table #4). Excluding the above-mentioned items and the unfavourable exchange rate effect, revenues slightly decreased by $0.5 million, mainly due to a decrease in printing volume in certain verticals related to the same trends as those seen in prior years, partially offset by the transition and leasing revenues from Hearst and the cost increase for certain types of paper. Revenues from our service offering to Canadian retailers remained relatively stable.

Adjusted operating earnings decreased by $28.5 million, or 9.3%, from $305.8 million in fiscal 2017 to $277.3 million in fiscal 2018. This decrease is mainly explained by the $19.3 million unfavourable effect of the sale to Hearst of our newspaper printing operations, including the $19.1 million non-cash effect (see Table #4), as well as the $9.8 million unfavourable effect of the recognition of deferred revenues related to the end of the contracts to print *La Presse* and *The Globe and Mail* in the Maritimes (see Table #4). Excluding the above-mentioned items and the unfavourable exchange rate effect, adjusted operating earnings increased by $0.7 million. This slight increase is mainly attributable to the transition and leasing

revenues from Hearst and the closure of a plant in Montréal in January 2018, combined with other operational efficiency initiatives, which more than offset the previously explained decrease in revenues in the other Printing Sector verticals. As a result, the Sector's adjusted operating earnings margin went from 20.4% in fiscal 2017 to 19.2% in fiscal 2018. Excluding the unfavourable non-cash effect of the recognition of deferred revenues in 2018, the adjusted operating earnings margin would have increased to 20.8%.

Table #4:

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

	2018					2019	
(in millions of dollars)	Q1	Q2	Q3	Q4	Cumul.	Q1	Q2
Contract to print the *San Francisco Chronicle* (1)							
Prior year	$8.5	$7.7	$7.9	$7.3	$31.4	$7.9	$4.4
Current year	7.9	4.4	—	—	12.3	—	—
Unfavourable net change	**$0.6**	**$3.3**	**$7.9**	**$7.3**	**$19.1**	**$7.9**	**$4.4**
Contracts to print *La Presse* and *The Globe and Mail* in the Maritimes (2)							
Prior year	$2.9	$2.9	$4.5	$5.8	$16.1	$3.0	$1.1
Current year	3.0	1.1	1.1	1.1	6.3	1.0	1.0
Unfavourable (favourable) net change	**-$0.1**	**$1.8**	**$3.4**	**$4.7**	**$9.8**	**$2.0**	**$0.1**
Total unfavourable net change of these contracts on revenues and adjusted operating earnings	**$0.5**	**$5.1**	**$11.3**	**$12.0**	**$28.9**	**$9.9**	**$4.5**

(1) The net change for the contract to print the *San Francisco Chronicle* is presented, as of April 2018, under "Acquisitions/disposals and closures" in Tables #3 and #5, until March 2019.
(2) The net change for the contracts to print *La Presse* and *The Globe and Mail* in the Maritimes is presented under "End of the recognition of deferred revenues related to the contracts to print *La Presse* and *The Globe and Mail* in the Maritimes" in Tables #3 and #5.

Other

Revenues for the Other category decreased by $96.3 million, from $198.0 million in fiscal 2017 to $101.7 million in fiscal 2018. This decrease is mostly due to the impact of the sale of our media assets in Atlantic Canada and local and regional newspapers in Québec, as well as the organic decline in Media Sector revenues caused by the advertising market. This decrease was partially offset by lower inter-segment transactions between the Media Sector and the Printing Sector. Adjusted operating earnings improved by $23.0 million, from $-23.1 million in fiscal 2017 to $-0.1 million in fiscal 2018, as a result of the contribution from our existing operations, partially offset by the unfavourable effect of the disposal of operations. The $33.9 million increase in adjusted operating earnings from our existing operations in fiscal 2018 compared to fiscal 2017 is attributable to the favourable effect of the $18.9 million decrease in the stock-based compensation expense as a result of the change in the share price in fiscal 2018 compared to fiscal 2017 as well as our cost reduction initiatives related to our local and regional newspaper publishing activities and our head office, which have more than offset the $10.9 million effect of the sale of our local and regional newspaper publishing activities in fiscal 2018.

ANALYSIS OF SECTOR RESULTS - FOURTH QUARTER
(unaudited)

Table #5:

(in millions of dollars)	Packaging Sector	Printing Sector	Other	Consolidated results
Revenues - Fourth quarter of 2017	**$79.5**	**$399.8**	**$47.9**	**$527.2**
Acquisitions/disposals and closures	334.9	(18.4)	(20.1)	296.4
Existing operations				
End of the recognition of deferred revenues related to the contracts to print *La Presse* and *The Globe and Mail* in the Maritimes	—	(4.7)	—	(4.7)
Exchange rate effect	3.3	1.0	—	4.3
Organic growth (decline)	(0.1)	2.0	4.1	6.0
Revenues - Fourth quarter of 2018	**$417.6**	**$379.7**	**$31.9**	**$829.2**
Adjusted operating earnings (1) - Fourth quarter of 2017	**$8.1**	**$92.8**	**$1.5**	**$102.4**
Acquisitions/disposals and closures	27.1	(7.9)	(3.6)	15.6
Existing operations				
End of the recognition of deferred revenues related to the contracts to print *La Presse* and *The Globe and Mail* in the Maritimes	—	(4.7)	—	(4.7)
Exchange rate effect	0.1	0.1	—	0.2
Stock-based compensation	—	—	13.1	13.1
Organic growth (decline)	(0.7)	(0.3)	6.0	5.0
Adjusted operating earnings (1) - Fourth quarter of 2018	**$34.6**	**$80.0**	**$17.0**	**$131.6**

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

Packaging Sector

Packaging Sector revenues increased by $338.1 million, from $79.5 million in the fourth quarter of 2017 to $417.6 million in the fourth quarter of 2018. This significant increase is mostly attributable to the contribution from the acquisition of Coveris Americas and, to a lesser extent, of Multifilm Packaging and Les Industries Flexipak. Our organic growth remained stable in the fourth quarter of 2018 compared to the corresponding period in 2017.

Adjusted operating earnings increased by $26.5 million, from $8.1 million in the fourth quarter of 2017 to $34.6 million in the fourth quarter of 2018. This increase is attributable to the contribution from our acquisitions, in particular that of Coveris Americas, partially offset by the impact of the increase in raw materials costs that affected our activities in the fourth quarter. Consequently, the Sector's adjusted operating earnings margin went from 10.2% in the fourth quarter of 2017 to 8.3% in the fourth quarter of 2018.

Printing Sector

Printing Sector revenues decreased by $20.1 million, or 5.0%, from $399.8 million in the fourth quarter of 2017 to $379.7 million in the fourth quarter of 2018. This decrease is mainly explained by the $18.4 million unfavourable effect of the sale to Hearst of our newspaper printing operations, including the $7.3 million unfavourable non-cash effect related to the end of the recognition of deferred revenues (see Table #4). In addition, the end of the recognition of deferred revenues related to *La Presse* and *The Globe and Mail* in the Maritimes contributed to the decrease in adjusted revenues with an unfavourable effect of $4.7 million (see Table #4). Excluding the above-mentioned items, revenues increased by $2.0 million, which is mostly explained by the transition and leasing revenues from Hearst and the cost increase for certain types of paper, partially offset by lower printing revenues for newspapers, magazines and commercial products. Revenues from our service offering to Canadian retailers remained relatively stable.

Adjusted operating earnings decreased by $12.8 million, or 13.8%, from $92.8 million in the fourth quarter of 2017 to $80.0 million in the fourth quarter of 2018. This decrease is mostly due to the $7.9 million unfavourable effect of the sale to Hearst of our newspaper printing operations, of which $7.3 million is explained by the unfavourable non-cash effect of the end of the recognition of deferred revenues (see Table #4). In addition, the end of the recognition of deferred revenues related to *La Presse* and *The Globe and Mail* in the Maritimes had a $4.7 million unfavourable effect on adjusted operating earnings in the fourth quarter of 2018 (see Table #4). Excluding the above-mentioned items and exchange rate effect, adjusted operating earnings would have slightly decreased by $0.3 million. This stability is explained by the transition and leasing revenues from

Hearst and the closure of a plant in Montréal in January 2018, combined with other operational efficiency initiatives, which were offset by the previously explained decrease in revenues in the other Printing Sector verticals. It should be noted that the increase in revenues related to the price increase for certain types of paper has no impact on profitability, as the cost of paper is passed through to the customer. As a result of the above-mentioned items, the Sector's adjusted operating earnings margin went from 23.2% in the fourth quarter of 2017 to 21.1% in the fourth quarter of 2018. Excluding the unfavourable non-cash effect of the recognition of deferred revenues in the fourth quarter of 2018, the adjusted operating earnings margin would have increased to 23.5%.

Other

Revenues for the Other category decreased by $16.0 million, from $47.9 million in the fourth quarter of 2017 to $31.9 million in the fourth quarter of 2018. This decrease is mostly due to the impact of the sale of our local and regional newspapers in Québec, partially offset by a decrease in inter-segment transactions. Adjusted operating earnings improved by $15.5 million, from $1.5 million in the fourth quarter of 2017 to $17.0 million in the fourth quarter of 2018, as a result of the contribution from our existing operations, partially offset by the unfavourable effect of the disposal of operations. Adjusted operating earnings from our existing operations increased by $19.1 million in the fourth quarter of 2018 compared to the fourth quarter of 2017, which is mostly attributable to the $13.1 million favourable effect of the stock-based compensation expense as well as our cost reduction initiatives related to our local and regional newspaper publishing activities and our head office, which have more than offset the $3.6 million effect of the sale of our local and regional newspaper publishing activities in the fourth quarter of 2018.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

Table #6 summarizes selected consolidated financial information derived from the Corporation's unaudited annual 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)	2018				2017			
	Q4	Q3	Q2	Q1	**Q4**	Q3	Q2	Q1
Revenues	**$829.2**	$757.9	$534.7	$501.7	**$527.2**	$477.7	$498.7	$503.6
Adjusted revenues [1]	**829.2**	757.9	472.4	461.9	**527.2**	477.7	498.7	503.6
Operating earnings before depreciation and amortization	**153.6**	89.7	138.7	154.7	**128.5**	93.7	94.2	89.0
Adjusted operating earnings before depreciation and amortization [1]	**162.2**	116.4	89.7	91.0	**123.3**	95.4	90.1	87.9
Adjusted operating earnings margin before depreciation and amortization [1]	**19.6 %**	15.4 **%**	19.0 %	19.7 %	**23.4** %	20.0 **%**	18.1 %	17.5 %
Operating earnings	**105.5**	39.6	99.0	123.5	**103.6**	68.2	67.8	62.4
Adjusted operating earnings [1]	**131.6**	84.6	70.3	70.3	**102.4**	74.2	68.2	65.9
Adjusted operating earnings margin [1]	**15.9 %**	11.1 **%**	14.9 %	15.2 %	**19.4** %	15.5 **%**	13.7 %	13.1 %
Net earnings	**$67.0**	$19.3	$68.9	$58.2	**$73.4**	$49.0	$46.4	$42.7
Net earnings per share	**0.76**	0.22	0.89	0.75	**0.95**	0.64	0.60	0.55
Adjusted net earnings [1]	**87.0**	52.1	48.5	51.8	**71.0**	52.9	45.5	44.3
Adjusted net earnings per share [1]	**0.99**	0.59	0.63	0.67	**0.91**	0.68	0.59	0.58
% of fiscal year	**35 %**	20 **%**	22 %	23 %	**33** %	25 **%**	21 %	21 %

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

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

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

Excluding the impact of the above-mentioned items, we can note a slight decrease in our Printing Sector adjusted revenues. This decrease is mainly due to lower advertising spending in print media, which has a negative impact on circulation or the number of pages of certain print publications. The decline in advertising spending results from the impact of new media and the shift of advertising revenues to new platforms. However, this trend was mitigated by stable revenues from our service offering to Canadian retailers. Many retailers still consider printed flyers as the marketing tool of choice for generating traffic to the store. In addition, as a result of the seasonality of printing activities, we note that volume is higher in the fourth quarter.

The upward trend in financial data related to profitability results from the numerous operational efficiency and rationalization measures that were implemented over the last few years as part of our transformation.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL STRUCTURE

(unaudited)

Table #7:

(in millions of dollars)	Three months ended		Year ended	
	October 28, 2018	October 29, 2017	**October 28, 2018**	October 29, 2017
Operating activities				
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	**$163.6**	$126.3	**$539.2**	$410.9
Changes in non-cash operating items	**(68.4)**	0.5	**(184.8)**	(31.0)
Income taxes paid	**(5.9)**	(15.4)	**(41.9)**	(55.8)
Cash flows from operating activities	**$89.3**	$111.4	**$312.5**	$324.1
Investing activities				
Business combinations, net of acquired cash	**$43.0**	$—	**($1,573.3)**	($15.9)
Business disposals	**—**	9.3	**35.0**	33.7
Acquisitions of property, plant and equipment	**(21.8)**	(8.7)	**(59.4)**	(33.2)
Disposals of property, plant and equipment	**(0.3)**	0.1	**24.7**	7.1
Increase in intangible assets	**(3.7)**	(1.7)	**(20.6)**	(15.6)
Dividends received from joint ventures	**—**	—	**3.4**	—
Net cash outflow on acquisition of an associate	**(2.5)**	—	**(2.5)**	—
Cash flows from investing activities	**$14.7**	($1.0)	**($1,592.7)**	($23.9)
Financing activities				
Increase in long-term debt, net of issuance costs	**($0.1)**	$—	**$958.9**	$—
Reimbursement of long-term debt	**(1.2)**	—	**(164.0)**	(0.2)
Net increase (decrease) in credit facility, net of issuance costs	**(47.4)**	—	**128.4**	—
Financial expenses on long-term debt	**(13.7)**	(2.8)	**(35.0)**	(16.2)
Proceeds from issuance of shares in exchange for subscription receipts, net of issuance costs	**—**	—	**274.9**	—
Exercise of stock options	**—**	2.2	**—**	7.6
Dividends	**(18.5)**	(15.6)	**(68.6)**	(60.9)
Share redemptions	**(10.7)**	—	**(23.6)**	—
Cash flows from financing activities	**($91.6)**	($16.2)	**$1,071.0**	($69.7)
Effect of exchange rate changes on cash denominated in foreign currencies	**$0.4**	$0.1	**$2.6**	($0.1)
Net change in cash	**$12.8**	$94.3	**($206.6)**	$230.4

Financial position	**As at October 28, 2018**	As at October 29, 2017
Net indebtedness [1]	**$1,420.5**	$101.2
Net indebtedness ratio [1]	**3.1 x**	0.3 x
Credit rating		
DBRS	**BBB (low)**	BBB (low)
Outlook	**Stable**	Stable
Standard and Poor's	**BBB-**	BBB-
Outlook	**Negative**	Stable

Balance sheet	**As at October 28, 2018**	As at October 29, 2017
Current assets	**$943.1**	$780.2
Current liabilities	**717.3**	365.3
Total assets	**3,782.2**	2,136.7
Total liabilities	**2,148.1**	918.0

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

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

Cash Flows from Operating Activities

Cash flows from operating activities before changes in non-cash operating items and income taxes paid went from $410.9 million in fiscal 2017 to $539.2 million in fiscal 2018 mainly as a result of the accelerated recognition of deferred revenues related to the transaction with Hearst as well as the contribution from acquisitions, in particular that of Coveris Americas. As for the unfavourable variation of non-cash operating items which went from -$31.0 million in fiscal 2017 to -$184.8 million in fiscal 2018 mainly due to deferred revenues related to the end of some newspaper printing contracts, namely with Hearst as mentioned above. In addition, an unfavourable timing in accounts receivable and accounts payables also had an impact on non-cash operating items. Consequently, cash flows from operating activities decreased from $324.1 million in fiscal 2017 to $312.5 million in fiscal 2018.

Cash Flows from Investing Activities

Cash flows from investing activities went from $23.9 million in fiscal 2017 to $1,592.7 million in fiscal 2018, mostly as a result of the acquisition of Coveris Americas completed on May 1, 2018 as well as higher investments in property, plant and equipment in fiscal 2018, in particular during the last half of 2018 resulting from the acquisition of Coveris Americas.

Cash Flows from Financing Activities

Cash flows from financing activities went from a cash outflow of $69.7 million in fiscal 2017 to a cash inflow of $1,071.0 million in fiscal 2018. This increase is mostly due to the issuance of term loans of US$750 million (C$965.0 million) and the issuance of shares through a public offering for proceeds of $274.9 million, net of issuance costs, in connection with the acquisition of Coveris Americas, on May 1, 2018.

Debt Instruments

Net indebtedness went from $101.2 million as at October 29, 2017 to $1,420.5 million as at October 28, 2018. This increase is attributable to the issuance of term loans of US$750 million (C$980.9 million) as well as a $130.8 million draw on our $400.0 million credit facility to finance the acquisition of Coveris Americas. Consequently, our net indebtedness ratio stood at 3.1x as at October 28, 2018 compared to 0.3x as at October 29, 2017.

The senior unsecured notes of $250 million that mature in less than one year, namely in May 2019, are now presented in the current portion of long-term debt.

On July 13, 2018, the Corporation modified certain terms of its Debentures - Fonds de solidarité FTQ Series 1 - 5.58% and Series 2 - 4.011% of $50.0 million each, by merging them into a single debenture (the "Unified Debenture - Fonds de solidarité FTQ") of $100.0 million, bearing interest at an annual rate of 4.784%, payable every six months, and maturing on February 1, 2028. The Corporation incurred financing fees of $0.5 million, which are being amortized using the effective interest method over the duration of the Unified Debenture.

Contractual Obligations and Business Commitments

Table #8:

Contract type (in millions of dollars)	2019	2020	2021	2022	2023 and thereafter	Total
Long-term debt	$251.2	$148.5	$344.8	$475.1	$248.0	$1,467.6
Leasing of premises and other commitments	30.5	23.7	20.3	13.1	28.7	116.3
Accounts payable and accrued liabilities	431.6	—	—	—	—	431.6
Total obligations	**$713.3**	**$172.2**	**$365.1**	**$488.2**	**$276.7**	**$2,015.5**

The Corporation expects to contribute $3.1 million to its defined benefit plans during the year ending October 27, 2019, considering that it plans to use letters of credit from its credit facilities to secure unpaid contributions for the solvency deficiency of the defined benefit plans. The actual amount paid may differ from the estimate based on the results of the actuarial valuations, investment returns, volatility in discount rates, regulatory requirements and other factors.

Share Capital
Table #9:

Shares Issued and Outstanding	As at October 28, 2018	As at November 30, 2018
Class A (Subordinate Voting Shares)	**73,359,454**	**73,359,654**
Class B (Multiple Voting Shares)	**13,980,926**	**13,980,726**

In connection with the acquisition of Coveris Americas, the Corporation issued 10,810,000 subscription receipts on April 20, 2018 through a public offering. The price received per subscription receipt was $26.60, for net proceeds of issuance of $274.9 million. On May 1, 2018, upon final closing of the Coveris Americas transaction, each subscription receipt entitled its holder to receive, without payment of additional consideration or further action, one Class A Subordinate Voting Share of the Corporation.

Under its share repurchase program that expired on April 16, 2018, the Corporation repurchased 529,610 Class A Subordinate Voting Shares at a weighted average price of $24.50 for a total cash consideration of $12.9 million during fiscal 2018.

In September 2018, the Corporation has been authorized to repurchase, for cancellation on the open market, between October 1, 2018 and September 30, 2019, up to 1,000,000 of it's Class A Subordinate Voting Shares and up to 189,344 of its Class B Shares, representing approximately 1.35% of the 73,850,034 issued and outstanding Class A Subordinate Voting Shares and of the 13,983,026 issues and outstanding Class B Shares as at September 18, 2018. Under this share repurchase program, the Corporation repurchased 492,680 Class A Subordinate Voting Shares at a weighted average price of $21.56 for a total cash consideration of $10.7 million during fiscal 2018.

During fiscal 2018, the Corporation repurchased 1,022,290 Class A Subordinate Voting Shares for a total cash consideration of $23.6 million.

ANALYSIS OF LIQUIDITY - FOURTH QUARTER

Cash Flows from Operating Activities

Cash flows from operating activities before changes in non-cash operating items and income taxes paid went from $126.3 million in the fourth quarter of 2017 to $163.6 million in the fourth quarter of 2018. This increase is mainly attributable to the contribution from acquisitions, in particular that of Coveris Americas. Non-cash operating items went from $0.5 million in the fourth quarter of 2017 to -$68.4 million in the fourth quarter of 2018. This unfavourable variation is mainly due to a reclassification of expenses paid on behalf of the seller related to the acquisition of Coveris Americas, as well as, to a lesser extent, an unfavourable timing in accounts receivable and to the stock-based compensation payable as a result of the change in the share price. On a net basis, cash flows from operating activities decreased from $111.4 million in the fourth quarter of 2017 to $89.3 million in the fourth quarter of 2018.

Cash Flows from Investing Activities

Cash flows from investing activities went from a cash outflow of $1.0 million in the fourth quarter of 2017 to a cash inflow of $14.7 million in the fourth quarter of 2018. This favourable variation is mainly related to the reclassification of an amount of $34.8 million paid on the acquisition date of Coveris Americas on behalf of the seller.

Cash Flows from Financing Activities

Cash flows from financing activities went from a cash outflow of $16.2 million in the fourth quarter of 2017 to a cash outflow of $91.6 million in the fourth quarter of 2018, mostly as a result of a repayment of $47.4 million on our $400.0 million credit facility to finance a higher working capital in the fourth quarter as well as redemptions of shares totalling $10.7 million in the fourth quarter of 2018.

CHANGES IN ACCOUNTING STANDARDS

New or amended accounting standards not yet adopted

The Corporation is currently conducting a detailed assessment of the impact of the changes in the following accounting standards on its consolidated financial statements:

- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from Contracts with Customers"

The Corporation has not yet determined the impact of adopting the changes in accounting standards listed below. The assessment of the impact on our consolidated financial statements of these new standards or amendments to standards is still ongoing.

- IFRS 16 "Leases"
- Amendments to IFRS 2 "Share-based Payment Transactions"
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- IFRIC 23 "Uncertainty over Income Tax Treatments"

Please see Note 2 to the annual consolidated financial statements in order to obtain more information.

RISKS AND UNCERTAINTIES

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

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

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

Changes to the Latest Risks Reported

As part of our business strategy aimed at transforming the Corporation, we acquired Coveris Americas on May 1, 2018. Accordingly, changes to already identified risks and additional risks that might have an impact on actual results are described below. As for measures or strategies that the Corporation takes to mitigate the identified risks below, the Corporation has put in place a plan for the integration of Coveris Americas, which will be adjusted if necessary.

Integration of Coveris Americas

Although Management believes that Coveris Americas can be successfully integrated, there can be no assurance that this will be the case. The Corporation could face impediments in its ability to implement its integration strategy. The integration process may also require substantial attention from Management and divert its focus and resources from other strategic opportunities and from operational matters.

Specifically, the integration and management of the Corporation after the combination of Coveris Americas is subject to numerous risks that could adversely affect the Corporation's growth and profitability, including: (i) the risk that Management may not be able to successfully manage Coveris Americas' operations, (ii) the risk that Corporation's operational, financial and management systems may be incompatible with the systems of Coveris Americas, or that the Corporation experiences difficulties in effectively integrating and managing these systems, (iii) the risk that the acquisition may require financial resources that could otherwise be used in the development of other aspects of the Corporation's business, (iv) the risk that the integration may result in operational problems, costs, expenses, liabilities, including loss of contracts and customers, and (v) the risk that key management or employees of the Corporation may leave following the acquisition.

In addition, although Management estimates annual cost synergies of approximately US$20 million and expects these synergies to be achieved over a 24-month period following the acquisition, inclusion of the estimated annual cost synergies should not be viewed as a representation that the Corporation will in fact achieve these synergies over a 24-month period or at all. Management continues to evaluate its estimates of the synergies to be realized from the acquisition and to refine them and, as such, the actual cost synergies could differ materially from current estimates. In addition, expenses required to realize the synergies and the sources of the synergies could differ materially from these estimates and the Corporation cannot assure investors that it will achieve the full amount of anticipated annual cost synergies or at all. In light of these uncertainties, investors should not place undue reliance on the Corporation's estimates of annual cost synergies.

Future financial performance depends in part upon our ability to effectively integrate the operations of the acquired business into our existing operations and achieve identified cost savings and other synergies. If we are unable to identify and correct operational or financial weaknesses in

the acquired business or to achieve the projected cost savings, our operating results and cash flows could be negatively impacted. Failure to expand our operational systems and controls or to integrate appropriate personnel at a pace consistent with our growth could also adversely affect our operating results.

Strategic Risks

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

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

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

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

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

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

Customer Base - Impact of customer consolidation

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

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

Over the past few years, certain Canadian retailers have experimented with interactive flyers, digital campaigns and loyalty programs. The impact of these initiatives on our flyer printing operations and our premedia and distribution services has so far been low as printed flyers continue to be, for retailers, an essential marketing vehicle for generating traffic to the store. However, a major change in consumer habits or in our customers' marketing strategy, including the use of e-commerce, could result in a significant decrease in the number of pages or frequency for the flyers printed by the Corporation, which could have an adverse impact on our financial results. To mitigate this risk, we remain alert to consumer trends and investments in e-commerce platform development planned by retailers. In addition, we continue to develop and enhance our offering to retailers and continuously strive to improve operational efficiency, in particular by maximizing the utilization of our most productive equipment.

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

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

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

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

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

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

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

As at October 28, 2018, Capinabel inc., a company controlled by Rémi Marcoux, directly or indirectly held 14.50% of shares outstanding and 71.21% of voting rights attached to the participating shares outstanding of Transcontinental Inc. Given the controlling stake of this shareholder, it is possible that in some situations the interests of the controlling shareholder might not correspond to the interests of other holders of participating shares of Transcontinental Inc.

Operational Risks

Integration of Acquisitions - Integrating acquisitions could disrupt our operating activities

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

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

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

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

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

We mitigate these risks by ensuring that we maintain a quality and reliable technology environment for our internal and external customers, in particular by adjusting our security policy, deploying security measures and investing in our computer infrastructure. We acquired a tool that maps our potential vulnerabilities, thereby helping us prioritize corrective measures. We also periodically run tests simulating an attack against our computer systems to verify our various security controls. In addition, we periodically assess our computer controls to ensure they comply with standards. Finally, to better prevent and control the impact of this risk, the Corporation has taken various measures, including implementing a

mandatory employee continuous training and awareness program as well as hiring a Chief Information Security Officer, whose mandate is to ensure the security, availability and integrity of the Corporation's information systems and data.

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

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

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

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

Operational Efficiency - Inability to maintain or improve our operational efficiency

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

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

The Corporation is subject to many regulations that may be amended by governmental authorities. Complying with amendments to regulations or stricter new regulations could result in a material cost increase for the Corporation. Since the acquisition of Coveris Americas on May 1, 2018, the Corporation operates 21 additional facilities throughout the world, some of which are located in new regions, such as the United Kingdom, Guatemala, Mexico, Ecuador, New Zealand and China. Consequently, the Corporation is now exposed to additional risks associated with different legal, political, tax, social, cultural and regulatory frameworks. The Corporation could also have to increase its workforce and enhance compensation, or invest in raw materials or equipment. The Corporation also benefits from certain government subsidy programs. Any change in the rules for applying to these government programs could have a significant impact on the Corporation’s net earnings.

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

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

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

of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could result in our decreased ability to export or sell our products to existing or potential customers with international operations. Any limitation on our ability to export or sell its products could adversely affect our business, financial condition and results of operations.

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

The Corporation is a supplier of flexible packaging products that are mainly used in the food industry. It is therefore exposed to this industry's risks, such as labelling errors and presence of foreign bodies, as well as certain hygiene and cleanliness problems, including food contamination by organisms that cause illness, or pathogens, such as the bacteria E.coli, Salmonella and Listeria. The Corporation could thus be involved in a possible product recall. Such a situation could expose the Corporation to civil liability claims, negative publicity, investigations or governmental intervention, which would have a material adverse impact on the Corporation's financial position, net earnings and reputation. The Corporation actively manages these risks by using appropriate materials, ensuring that controls and processes are in place in its manufacturing facilities and maintaining civil liability insurance coverage. We also ensure that our products comply with laws and regulations. Our finished products are subject to laws and regulations issued by certain government agencies, including Health Canada and the United States Food and Drug Administration (FDA), which are responsible for protecting public health in the food industry. In the United States, the Consumer Product Safety Commission (CPSC) also regulates certain packaging products through various laws including the *Consumer Product Safety Act* and the *Poison Prevention Packaging Act*. In Canada, the packaging and labelling of food products as well as the safety of materials used in food packaging are regulated by Health Canada through laws such as the *Consumer Packaging and Labelling Act* and the *Food and Drugs Act*. Also, as a part of the food supply chain, we recognize the need to support our food based customers with specific information and assurances. We are committed to working with our customers to provide all the information needed in order to understand and minimize risk in their processes. For this purpose, and to further mitigate these risks and ensure consumer confidence in our products, some of our plants obtained SQF (Safe Quality Food) certification, are certified AIB International or have the GMI (Graphic Measures International) certification.

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

Changes in laws and regulations relating to the materials allowed for use in packaging and to the recycling of plastic packaging could adversely affect our business if implemented on a large scale in the major markets in which it operates. Changes in laws and regulations laying down restrictions on, and conditions for use of, food, beverage, pharmaceutical, agricultural or other products and the materials in contact with them, or on the use of materials and agents in the production of our products could also adversely affect our business. Legislation as well as voluntary initiatives aimed at reducing the level of plastic wastes could reduce the demand for certain plastic packaging, result in greater costs for plastic packaging manufacturers or otherwise impact our business. Future legislation and initiatives could have a material adverse effect. Examples of such regulations include more restrictive air emissions limits, lower water contamination thresholds and additional requirements for soil decontamination or paper and plastic recycling. The advent of regulations on the extended producer responsibility (EPR) in several Canadian provinces also influenced the printing and packaging industry's landscape. These regulations use financial incentives to encourage producers to design eco-friendly products by making them responsible for end-of-life management of their products. Lastly, there is a trend toward phasing out single-use lightweight plastic bags in many jurisdictions around the world.

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

To mitigate environmental risks, the Corporation strives to be at the forefront of its industry in terms of commitment to environment protection and implements, in collaboration with its stakeholders, new initiatives to reduce its environmental footprint. In that respect, we adopted our environmental policy in 1993, and we adopted our paper purchasing policy in 2007 and broadened its scope in 2012. We are also a member of the Sustainable Packaging Coalition, an organization that brings together businesses, educational institutions and government agencies to expand our collective understanding of ecoresponsible packaging. Also, our participation to initiatives promoting transparency, such as the Carbon Disclosure Project, confirms our renewed commitment to disclose our governance and our performance with respect to climate change issues. Furthermore, we continuously invest in the development of recyclable and compostable products in the Packaging Sector and in the greater use of recycled fibre in the Printing Sector.

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

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

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

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

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

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

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

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

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

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

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

The Canadian anti-spam legislation states that businesses that send commercial electronic messages must obtain the consent of the person to whom the message is sent. In addition, the Corporation must comply with copyright legislation. However, there could be situations in which some of the Corporation's activities would infringe on the privacy of users and others or some copyright rules would be contravened with the publication of different types of content in the various media used by the Corporation. 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 earnings.

Financial Risks

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

The Corporation's activities are exposed to economic cycles and difficult market conditions as a significant portion of its 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 industries of our main customers, which could have an adverse impact on the products offered by the Corporation. In addition, with the acquisition of Coveris Americas on May 1, 2018, the Corporation now operates in new countries, including the United Kingdom, Guatemala, Mexico, Ecuador, New Zealand and China. The economic risks specific to each country may also have an impact on our results of operations. However, the Corporation believes it mitigates this risk through the very composition of its operations, since a substantial segment of its customer base operates in less cyclical markets, such as food. In addition, as the Corporation is a leader in its markets, we believe we can limit our exposure to economic cycles without, however, eliminating their adverse impact or magnitude.

Credit - Bad debts from certain customers

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

Liquidity - Availability of capital at a reasonable cost

The Corporation and its subsidiaries are exposed to liquidity risk, which is the risk that they will not be able to meet their financial obligations as they become due, or that they will be able to meet them, but at an excessive cost. The closing of the acquisition of Coveris Americas on May 1, 2018 led to a material increase in our consolidated indebtedness and, as a result, increased our leverage. Our degree of leverage could have important consequences, including the following:

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

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

This risk is however mitigated by the fact that the Corporation has a sound financial position, with a net indebtedness ratio of 3.1x as at October 28, 2018, and expects to continue generating significant cash flows from operations. In addition, as at October 28, 2018, the Corporation can access its $400.0 million revolving credit facility (of which $269.2 million is unused), which matures in February 2023. However, it should be noted that the Corporation's financing ability and cost of financing depend on the credit ratings assigned by the various credit agencies.

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

The Corporation is exposed to market risks related to increases in interest rates. The floating rate portion of the debt bears interest at rates based on LIBOR or bankers' acceptance rates. At the end of fiscal 2018, the fixed rate portion of the Corporation's long-term debt represented 24.6% of total debt.

Exchange Rate - Exchange rate fluctuations

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

Taxation - Changes in tax legislation could adversely affect our profitability

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

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

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

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

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

As at October 28, 2018, almost all of TC Transcontinental's active employees were participating in defined contribution pension plans. However, the risks related to the defined benefit pension plans are still assumed by the Corporation. Funding for defined benefit plans is based on actuarial estimates and is subject to limitations under applicable income tax and other regulations. Actuarial estimates prepared during the year were based on assumptions related to projected employee compensation levels to the time of retirement and the expected long-term rate of return on pension plan assets. The defined benefit obligation, fair value of plan assets and plan asset composition are measured at the date of the annual financial statements. The Corporation continues to apply its investment strategy to limit the exposure of our assets to major fluctuations that would affect pension plan solvency.

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

Under IFRS, the Corporation must test non-current assets for impairment if there is any indication that an asset or group of assets may be impaired. Any asset write-downs from impairment testing would have an adverse impact on the Corporation's net earnings, but it would not have any major

impact on the Corporation's compliance with the indebtedness ratio it must meet under the terms of its current credit facilities or on its borrowing capacity.

DISCLOSURE CONTROLS AND PROCEDURES

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

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

The effectiveness of the design and operation of the Corporation's disclosure controls and procedures was evaluated as defined by *Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings* ("Regulation 52-109") as at October 28, 2018. 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 28, 2018.

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 controls. 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 28, 2018, 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 requirements 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 28, 2018.

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 Coveris Americas; 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.

Coveris Americas, which has 3,100 employees, operates 21 manufacturing facilities producing a wide range of flexible plastic products and paper products. These facilities are located in the United States, Canada, Guatemala, Mexico, Ecuador, the United Kingdom, New Zealand and China. Acquired on May 1, 2018, Coveris Americas generated revenues of $629.9 million and operating earnings of $13.2 million in fiscal 2018.

Additional information about this acquisition is presented in Table #10.
Table #10:

(in millions of dollars)	Coveris Americas
Statement of financial position	**As at October 28, 2018**
Current assets	370.0
Non-current assets	1,762.5
Current liabilities	139.2
Long-term liabilities	113.0
Statement of earnings	**Year ended October 28, 2018**
Revenues	629.9
Operating earnings before depreciation and amortization	65.6
Operating earnings	13.2

Please refer to Note 4 to the annual consolidated financial statements for the year ended October 28, 2018 for additional information on this acquisition.

During the year ended October 28, 2018, except for the information provided above, no change that has materially affected or is reasonably likely to materially affect the ICFR was brought to the attention of Management, including the President and Chief Executive Officer, and the Chief Financial Officer of the Corporation.

OUTLOOK

In our Packaging Sector, the acquisitions, in particular that of Coveris Americas completed on May 1, 2018, will significantly contribute to revenues and adjusted operating earnings for the next two quarters compared to the corresponding quarters of the prior year. With respect to Coveris Americas, we expect revenues to be similar to those anticipated at the time of the acquisition and our profit margins to gradually improve over the coming quarters as a result of the effect of the announced synergies, which should gradually start at the beginning of fiscal 2019 to reach the target of US$10 million on an annualized basis at the end of the second quarter of 2019, as well as an increased focus on manufacturing efficiency. In our packaging operations other than those of Coveris Americas, we should continue generating organic growth in revenues with the help of our well-established sales force, which should also contribute to profitability. Raw materials and transportation costs could once again have an unfavourable effect on the Sector's profit margins should they experience a sustained increase.

In our Printing Sector, we expect revenues from our service offering to Canadian retailers to remain relatively stable in fiscal 2019. The newspaper publishing vertical will continue to be affected by the end of the recognition of deferred revenues related to certain newspaper printing contracts (see Table #4), which will have an unfavourable non-cash effect on adjusted operating earnings of $9.9 million in the first quarter of 2019 and $4.5 million in the second quarter of 2019. In addition, no revenues will be recognized for transition services to Hearst in 2019, compared to revenues of approximately $9 million recognized for such services in fiscal 2018. In all the other printing verticals, we expect our revenues will continue to be affected by the same trends observed in recent quarters. Lastly, to limit the impact of these decreases, we will continue with our operational efficiency initiatives.

In line with our strategy, we will continue to generate significant cash flows from all our operating activities, which will enable us to reduce our net indebtedness.

On behalf of Management,

(s) Donald LeCavalier
Chief Financial Officer

December 13, 2018

Consolidated Financial Statements and Notes

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

(s) François Olivier

President and Chief Executive Officer

(s) Donald LeCavalier

Chief Financial Officer

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Transcontinental Inc.

We have audited the accompanying consolidated financial statements of Transcontinental Inc., which comprise the consolidated statements of financial position as at October 28, 2018, and October 29, 2017, the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Transcontinental Inc. as at October 28, 2018, and October 29, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.



December 13, 2018

Montréal, Canada

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

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended October 28, 2018 and October 29, 2017
(in millions of Canadian dollars, except per share data)

	Notes	**October 28, 2018**	October 29, 2017
Revenues		**$ 2,623.5**	$ 2,007.2
Operating expenses	5	**2,071.6**	1,610.5
Restructuring and other costs (gains)	6	**8.6**	(13.6)
Impairment of assets	7	**6.6**	4.9
Operating earnings before depreciation and amortization		**536.7**	405.4
Depreciation and amortization	8 & 31	**169.1**	103.4
Operating earnings		**367.6**	302.0
Net financial expenses	9	**36.5**	17.7
Earnings before share of net earnings in interests in joint ventures and income taxes		**331.1**	284.3
Share of net earnings in interests in joint ventures, net of related taxes		**0.1**	0.3
Income taxes	10	**117.8**	73.1
Net earnings		**$ 213.4**	$ 211.5
Net earnings per share - basic		**$ 2.59**	$ 2.74
Net earnings per share - diluted		**$ 2.58**	$ 2.73
Weighted average number of shares outstanding - basic (in millions)	22	**82.5**	77.3
Weighted average number of shares - diluted (in millions)	22	**82.6**	77.5

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended October 28, 2018 and October 29, 2017
(in millions of Canadian dollars)

	Notes	October 28, 2018	October 29, 2017
Net earnings		**$ 213.4**	$ 211.5
Other comprehensive income (loss)			
Items that will be reclassified to net earnings			
Net change related to cash flow hedges			
Net change in the fair value of derivatives designated as cash flow hedges		**(0.6)**	2.3
Reclassification of the net change in the fair value of derivatives designated as cash flow hedges in prior periods, recognized in net earnings during the period		**(0.5)**	1.3
Related income taxes		**(0.3)**	1.0
		(0.8)	2.6
Cumulative translation differences			
Net unrealized exchange gains (losses) on the translation of the financial statements of foreign operations		**13.9**	(19.5)
Net gains (losses) on hedge of the net investment in foreign operations		**(0.7)**	3.4
Related income taxes		**(0.6)**	0.9
		13.8	(17.0)
Items that will not be reclassified to net earnings			
Changes related to defined benefit plans			
Actuarial gains on defined benefit plans		**5.1**	8.6
Related income taxes		**1.8**	2.4
		3.3	6.2
Other comprehensive income (loss)	24	**16.3**	(8.2)
Comprehensive income		**$ 229.7**	$ 203.3

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended October 28, 2018 and October 29, 2017
(in millions of Canadian dollars)

	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance as at October 29, 2017		**$ 371.6**	**$ 1.1**	**$ 851.5**	**$ (5.5)**	**$ 1,218.7**
Net earnings		**—**	**—**	**213.4**	**—**	**213.4**
Other comprehensive income	24	**—**	**—**	**—**	**16.3**	**16.3**
Shareholders' contributions and distributions to shareholders						
Share redemptions	21	**(7.1)**	**—**	**(16.5)**	**—**	**(23.6)**
Dividends	21	**—**	**—**	**(68.6)**	**—**	**(68.6)**
Issuance of shares, net of issuance costs	21	**277.9**	**—**	**—**	**—**	**277.9**
Balance as at October 28, 2018		**$ 642.4**	**$ 1.1**	**$ 979.8**	**$ 10.8**	**$ 1,634.1**
Balance as at October 31, 2016		$ 361.9	$ 3.2	$ 700.9	$ 2.7	$ 1,068.7
Net earnings		—	—	211.5	—	211.5
Other comprehensive loss	24	—	—	—	(8.2)	(8.2)
Shareholders' contributions and distributions to shareholders						
Exercise of stock options	21	9.7	(2.1)	—	—	7.6
Dividends	21	—	—	(60.9)	—	(60.9)
Balance as at October 29, 2017		$ 371.6	$ 1.1	$ 851.5	$ (5.5)	$ 1,218.7

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Years ended October 28, 2018 and October 29, 2017
(in millions of Canadian dollars)

	Notes	As at October 28, 2018	As at October 29, 2017 [1]
Current assets			
Cash		**$ 40.5**	$ 247.1
Accounts receivable	11	**565.4**	380.6
Income taxes receivable		**6.9**	17.2
Inventories	12	**305.6**	116.9
Prepaid expenses and other current assets		**24.7**	18.4
		943.1	780.2
Property, plant and equipment and investment properties	13	**888.6**	500.8
Intangible assets	14	**747.1**	171.1
Goodwill	4 & 15	**1,150.0**	505.0
Deferred taxes	10	**18.4**	139.0
Other assets	16	**35.0**	40.6
		$ 3,782.2	$ 2,136.7
Current liabilities			
Accounts payable and accrued liabilities	17	**$ 431.6**	$ 304.7
Provisions	19	**3.7**	6.4
Income taxes payable		**14.8**	9.5
Deferred revenues and deposits		**16.0**	44.7
Current portion of long-term debt	18	**251.2**	—
		717.3	365.3
Long-term debt	18	**1,209.8**	348.3
Deferred taxes	10	**98.4**	44.1
Provisions	19	**2.3**	1.3
Other liabilities	20	**120.3**	159.0
		2,148.1	918.0
Equity			
Share capital	21	**642.4**	371.6
Contributed surplus		**1.1**	1.1
Retained earnings		**979.8**	851.5
Accumulated other comprehensive income (loss)	24	**10.8**	(5.5)
		1,634.1	1,218.7
		$ 3,782.2	$ 2,136.7

[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 CASH FLOWS

Years ended October 28, 2018 and October 29, 2017
(in millions of Canadian dollars)

	Notes	October 28, 2018	October 29, 2017
Operating activities			
Net earnings		**$ 213.4**	$ 211.5
Adjustments to reconcile net earnings and cash flows from operating activities:			
Impairment of assets	7	**6.6**	4.9
Depreciation and amortization	8	**193.5**	127.8
Financial expenses on long-term debt	9	**40.7**	17.5
Net gains on disposal of assets		**(5.1)**	(1.2)
Net gains on business disposals	4 & 6	**(37.5)**	(24.1)
Income taxes	10	**117.8**	73.1
Net foreign exchange differences and other		**9.8**	1.4
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		**539.2**	410.9
Changes in non-cash operating items [1]	25	**(184.8)**	(31.0)
Income taxes paid		**(41.9)**	(55.8)
Cash flows from operating activities		**312.5**	324.1
Investing activities			
Business combinations, net of acquired cash	4	**(1,573.3)**	(15.9)
Business disposals	4	**35.0**	33.7
Acquisitions of property, plant and equipment		**(59.4)**	(33.2)
Disposals of property, plant and equipment		**24.7**	7.1
Increase in intangible assets		**(20.6)**	(15.6)
Dividends received from joint ventures		**3.4**	—
Net cash outflow on acquisition of an associate		**(2.5)**	—
Cash flows from investing activities		**(1,592.7)**	(23.9)
Financing activities			
Increase in long-term debt, net of issuance costs		**958.9**	—
Reimbursement of long-term debt	4 & 18	**(164.0)**	(0.2)
Net increase in credit facility, net of issuance costs	18	**128.4**	—
Financial expenses on long-term debt		**(35.0)**	(16.2)
Proceeds from issuance of shares in exchange for subscription receipts, net of issuance costs		**274.9**	—
Exercise of stock options	21	**—**	7.6
Dividends	21	**(68.6)**	(60.9)
Share redemptions	21	**(23.6)**	—
Cash flows from financing activities		**1,071.0**	(69.7)
Effect of exchange rate changes on cash denominated in foreign currencies		**2.6**	(0.1)
Net change in cash		**(206.6)**	230.4
Cash at beginning of year		**247.1**	16.7
Cash at end of year		**$ 40.5**	$ 247.1
Non-cash investing activities			
Net change in capital asset acquisitions financed by accounts payable		**$ 1.3**	$ (0.4)

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

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

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 Print 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 13, 2018.

2 SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies adopted in these annual consolidated financial statements are based on IFRS that were issued, in effect and adopted by the Corporation as at October 28, 2018. Any subsequent changes to the accounting policies that will be in effect in the Corporation's consolidated financial statements after October 28, 2018 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, which is generally based on the fair value of the consideration given in exchange for the assets, except for the following items:

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

b) Basis of consolidation
The consolidated financial statements include the accounts of the Corporation, its subsidiaries and joint ventures. The accounting policies described have been applied consistently by all the subsidiaries and joint ventures.

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

The Corporation holds the following main subsidiaries:

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) Joint ventures
Joint ventures are entities over which the Corporation has joint control under contractual agreements that require the unanimous consent of the parties for decisions on activities that have a significant effect on the returns of the entity and in which the Corporation has rights to the net assets of the entity. Joint ventures are accounted for using the equity method. The Corporation's interests in joint ventures are mainly in the Media Sector and their effect on the consolidated assets, liabilities, revenues and expenses is not significant.

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. The excess of the consideration transferred over the fair value of the identifiable assets acquired and liabilities assumed is recognized as goodwill. 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.

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 share of the identifiable net assets of the acquiree. The basis of measurement is determined on a transaction-by-transaction basis.

d) Revenue recognition
Revenues are measured at the fair value of the consideration received or receivable, less the estimated amount of discounts and other similar reductions granted to customers.

When it sells goods, the Corporation recognizes revenues when the following conditions have been satisfied:
- the significant risks and rewards of ownership have been transferred;
- the Corporation retains neither continuing managerial involvement nor effective control over the goods sold;
- the amount of revenue can be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the Corporation;
- the costs incurred or to be incurred as part of the sale of goods can be reliably measured.

When rendering services, the Corporation recognizes revenues when the following conditions have been satisfied:
- the amount of revenue can be reliably measured;
- the stage of completion of the activity can be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the Corporation;
- the costs incurred or to be incurred as part of the rendering of services can be reliably measured.

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

Printing and packaging products:
Revenues from the sale of printing and packaging products are recognized when the products are shipped or delivered, in accordance with the customer agreement.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) In the Media Sector, revenues are recognized as follows:

Advertising revenues:
Advertising revenues are recognized at the publication date in the case of a daily or weekly publication or at the date of issue in the case of a monthly publication.

Subscription revenues:
Subscription revenues are recognized using the straight-line method, based on subscription terms, which represent the period over which the services are provided. Accordingly, amounts received are recorded in deferred subscription revenues, and subsequently transferred to net earnings over the term of the subscription.

Newsstand revenues:
Newsstand revenues are recognized at the time of delivery, net of a provision for returns.

Book revenues:
Book revenues are recognized when the books are shipped to customers, net of a provision for returns.

Custom publishing revenues:
Custom publishing revenues are recognized when products are shipped or delivered, or when services are provided, in accordance with the customer agreement. Revenues for updating digital publications are recognized based on the percentage of completion.

Revenues for the use of computerized tools:
Revenues for the use of computerized tools are recognized based on usage, storage space or reports generated, in accordance with the customer agreement. Revenues billed also consider volume discounts.

e) Exchange transactions
In the normal course of business, the Corporation offers advertising in exchange for goods or services. The related revenues are measured at the fair value of the goods and services received or given, when the fair value of the goods or services received cannot be reliably measured. For the year ended October 28, 2018, the Corporation recognized an amount of $1.5 million for exchange transactions ($2.3 million for the year ended October 29, 2017).

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

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

ii) Deferred tax
Deferred tax is determined on the basis of temporary differences between the carrying amounts and the tax bases of assets and liabilities, and is measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of the financial statements. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for temporary differences arising on the initial recognition of goodwill. The carrying amount of deferred tax assets is reviewed at the end of each period and a reduction of the carrying amount is recognized when it is probable that these assets will not be realized.

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

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

i) Inventories
Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first in, first out method, and includes the acquisition costs of raw materials and manufacturing costs, such as direct labor and a portion of manufacturing overhead.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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.

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

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

Operating leases are recognized in net earnings on a straight-line basis over the term of the lease.

m) Intangible assets

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

ii) Internally generated intangible assets
Internally generated intangible assets consist of book prepublication costs and technology project costs. The cost of an internally generated intangible asset includes all the directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Expenses incurred in research activities are expensed in the period in which they are incurred. Expenses incurred in development activities are also expensed in the period in which they are incurred, except if they meet all the criteria for capitalization. The initial amount recognized as an internally generated intangible asset is equal to the sum of expenses incurred from the date when the intangible asset first meets the criteria for capitalization.

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

2 SIGNIFICANT ACCOUNTING POLICIES (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

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 annually for impairment or more frequently if changes in circumstances indicate a potential impairment.

iii) Goodwill
Goodwill is recognized at cost, which represents the amount by which the consideration transferred exceeds the fair value of the identifiable net assets of the acquired businesses, and at cost less accumulated impairment losses thereafter. Goodwill has an indefinite useful life and is not amortized.

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

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

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

The recoverable amount of a CGU (or group of CGUs) is the higher of its value in use and its fair value less costs of disposal. Value in use is determined by discounting estimated future cash flows, using a discount rate that reflects current market assessments, the time value of money and the risks specific to the CGU (or group of CGUs). Fair value less costs of disposal is determined by using an EBITDA (earnings before interest, taxes, depreciation and amortization) capitalization multiple of comparable companies whose activities are similar to those of each CGU (or group of CGUs).

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (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.

o) Contract acquisition costs

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

p) Provisions

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

i) Restructuring

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

ii) Onerous contracts

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

q) Employee benefits

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

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

i) Defined benefit plans

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (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.

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

i) Stock option plan
Stock options are measured at fair value at the time they are granted using the Black-Scholes model, and are recognized in net earnings on a straight-line basis 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.

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

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

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

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

The assets and liabilities of foreign subsidiaries whose functional currency is not the Canadian dollar are translated into Canadian dollars using the exchange rate prevailing as at the reporting date. Revenue and expense items are translated at the average exchange rate for the period. Exchange differences are recognized in OCI under "Cumulative translation differences" and are accumulated in equity. The accumulated amount of exchange differences is reclassified to net earnings upon disposal or partial disposal of an interest in a foreign operation.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Financial instruments

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

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

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

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

Changes in fair value of financial instruments held for trading are recorded in the Consolidated Statement of Earnings in the appropriate period. Changes in fair value of 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.

u) Derivative financial instruments and hedge accounting

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

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

At the inception of the hedging relationship and throughout its duration, the Corporation must have reasonable assurance that the relationship will remain effective and in accordance with its risk management objective and strategy as initially documented. The effectiveness of the hedging relationship must be confirmed at each reporting date.

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

When hedging instruments mature or become ineffective before their 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 asset acquired or liability assumed affects net earnings. If the hedged item ceases to exist due to its maturity, expiry, cancellation or exercise before the hedging instrument expires, 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 along with the corresponding gains or losses, revenues or expenses recognized on the hedged item.

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

v) Discontinued operations

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w) Critical judgments and sources of estimation uncertainty

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

i) Business combinations

The determination of fair value associated with identifiable property, plant and equipment and intangible assets following a business combination requires management to make assumptions. More specifically, this is the case when the Corporation calculates fair values using appropriate valuation techniques, which are generally based on a forecast of expected future cash flows for intangible assets, and on a replacement cost approach, an income-based approach and/or a market-based approach for property, plant and equipment. These valuations are closely related to the assumptions made by management about the future return on the related assets and the discount rate applied. Significant changes to these assumptions could significantly change the fair values associated with identifiable intangible assets following a business combination, which would impact the amortization expense.

ii) Impairment of non-financial assets

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

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

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

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

iii) 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.

iv) 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.

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:

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) 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.

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

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

New or amended accounting standards adopted

- **Investment property**
  Investment properties owned by the Corporation and which it does not primarily occupy for its own use are held to earn rental income or capital appreciation. Investment properties are initially recorded at the transaction price plus transaction costs upon acquisition, or at previous amortized cost in the case of buildings transferred from Property, plant and equipment. These properties are subsequently measured at amortized cost. Investment properties are depreciated on a straight-line basis over a period of 20 to 40 years. Rental income is recognized in the consolidated Statements of Earnings on a straight-line basis over the term of the lease, and operating expenses of properties are recorded in Operating expenses.

- **Statement of cash flows**
  In January 2016, the IASB issued modifications to IAS 7 "Statement of Cash Flows", which requires specific disclosures to enable financial statement users to assess changes in liabilities from financing activities. These amendments were applied during the year ended October 28, 2018. The effect of these amendments is presented in Note 25.

New or amended accounting standards not yet adopted

- **Financial Instruments**
  In July 2014, IASB issued IFRS 9, "Financial Instruments". IFRS 9 replaces IAS 39 "Financial Instruments: Classification and Measurement" and IFRIC 9 "Reassessment of Embedded Derivatives".

  The IASB completed its project to replace IAS 39 in stages. IFRS 9 provides a single approach for the classification and measurement of financial instruments based on the cash flow characteristics and the business model within which the asset is held. This single principle-based approach replaces the existing rules-based requirements and results in a single impairment model for all financial instruments. IFRS 9 also modifies the hedge accounting model to incorporate the risk management practices of an entity. IFRS 9 will be applicable to the Corporation for the annual period beginning on October 29, 2018, with earlier application permitted. The Corporation does not expect that adopting this standard will have a significant impact on the consolidated financial statements.

- **Revenue from Contracts with Customers**
  In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers". IFRS 15 will replace IAS 11 "Construction Contracts", IAS 18 "Revenue" and related interpretations.

  The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to depict the transfer of promised goods or services to customers.

  Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Furthermore, extensive disclosures are required by IFRS 15. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Corporation performed a detailed review of its contracts and sales terms and conditions with its customers and assessed the impact of applying the IFRS 15 5-step approach. Most contracts entered into by the Corporation are contracts for which the sale of finished goods is generally the only expected performance obligation. The Corporation concluded that revenues should be recognized when control of the assets is transferred to the customer, usually when goods are shipped to the customer, in accordance with its current practice.

For some contracts under which the Corporation provides custom goods or services and has an enforceable right to payment for performance completed, the criteria to recognize revenue over-time might be met and allow the Corporation to recognize revenues earlier.

Certain contracts with customers contain incentives, including the payment of discounts based on quantities purchased. These incentives represent variable consideration under IFRS 15 and should be estimated and recognized as a deduction of related revenues. Currently, the Corporation recognizes revenues net of provisions for customer incentives. The Corporation concluded that the new IFRS 15 guidance on variable consideration will not have an impact on the recognition of incentive programs in its consolidated financial statements.

The Corporation expects to adopt IFRS 15 using the modified retrospective method and recognize the impact of adopting that standard at the date of initial application, which is October 29, 2018. The Corporation is finalizing the revision of its policies, procedures and controls to comply with the requirements of IFRS 15, in particular with respect to additional disclosures. Based on the analysis performed to date, the Corporation does not expect that the cumulative impact on retained earnings as at October 29, 2018 will be significant.

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

  IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the lessee and the lessor. The standard brings most leases in the lessee's statement of financial position under a single model, eliminating the previous classifications of operating and finance leases. The only exemptions to this treatment are for lease contracts with a term of less than one year and those for which the underlying asset is of low value. This accounting treatment will result in the grossing up of the statement of financial position due to a right-of-use asset being recognized with an offsetting liability representing the obligation to make lease payments. IFRS 16 will be applicable to the Corporation for the annual period beginning on October 28, 2019, with earlier application permitted. The extent of the impact of the adoption of this standard on the consolidated financial statements of the Corporation has not yet been determined.

- **Classification and Measurement of Share-based Payment Transactions**
  In June 2016, the IASB issued "Classification and Measurement of Share-based Payment Transactions", which amends IFRS 2 "Share-based Payment", which clarifies how to account for certain types of share-based payment transactions, such as the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments. These amendments are applicable to the Corporation for the annual period beginning on October 29, 2018, and are applicable to awards granted on or after that date and to unvested and vested but unexercised awards outstanding at that date. The amendments are to be applied prospectively, with retrospective application permitted. The extent of the impact of the adoption of this standard on the consolidated financial statements of the Corporation has not yet been determined.

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

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

- **IFRIC 23 Uncertainty over Income Tax Treatments**
  On June 7, 2017, the IASB issued IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments". The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation requires:
  - an entity to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
  - an entity to consider whether it is probable that the tax authorities will accept the uncertain tax treatment; and
  - if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

  The Corporation intends to adopt the Interpretation in its consolidated financial statements for the annual period beginning on October 28, 2019. The extent of the impact of adoption of the Interpretation has not yet been determined.

3 SEGMENTED INFORMATION

During the year ended October 28, 2018, in connection with changes in the organizational structure and following the acquisition of Coveris Americas (Note 4), the Corporation's operating segments have been modified and are now aggregated by management into three separate sectors: Packaging, Printing and Media. The Corporation restated the corresponding segmented information for previous periods.

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

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

The "Other" column includes the Media Sector, which previously was reported separately, 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 28, 2018	Packaging	Printing	Other	Consolidated Results
Revenues	$ **976.6**	$ **1,545.2**	$ **101.7**	$ **2,623.5**
Operating expenses	**869.6**	**1,110.7**	**91.3**	**2,071.6**
Restructuring and other costs	**8.0**	**9.2**	**(8.6)**	**8.6**
Impairment of assets	**—**	**3.5**	**3.1**	**6.6**
Operating earnings before depreciation and amortization [(1)]	**99.0**	**421.8**	**15.9**	**536.7**
Depreciation and amortization	**77.1**	**81.1**	**10.9**	**169.1**
Operating earnings	$ **21.9**	$ **340.7**	$ **5.0**	$ **367.6**
Adjusted operating earnings before depreciation and amortization [(1)]	$ **116.5**	$ **332.4**	$ **10.4**	$ **459.3**
Adjusted operating earnings [(1)]	**79.6**	**277.3**	**(0.1)**	**356.8**
Acquisitions of non-current assets [(2)]	$ **29.9**	$ **33.7**	$ **15.1**	$ **78.7**

3 SEGMENTED INFORMATION (CONTINUED)

Year ended October 29, 2017	Packaging	Printing	Other	Consolidated Results
Revenues	$ 308.2	$ 1,501.0	$ 198.0	$ 2,007.2
Operating expenses	272.2	1,130.5	207.8	1,610.5
Restructuring and other costs (gains)	(1.4)	6.1	(18.3)	(13.6)
Impairment of assets	—	0.1	4.8	4.9
Operating earnings before depreciation and amortization [1]	37.4	364.3	3.7	405.4
Depreciation and amortization	20.3	68.8	14.3	103.4
Operating earnings	$ 17.1	$ 295.5	$ (10.6)	$ 302.0
Adjusted operating earnings before depreciation and amortization [1]	$ 36.0	$ 370.5	$ (9.8)	$ 396.7
Adjusted operating earnings [1]	28.0	305.8	(23.1)	310.7
Acquisitions of non-current assets [2]	$ 8.8	$ 23.4	$ 16.2	$ 48.4

[1] The Corporation's officers mainly make decisions and assess segment performance based on adjusted operating earnings. Adjusted operating earnings before depreciation and amortization and adjusted operating earnings exclude restructuring and other costs (gains), impairment of assets, amortization of intangible assets arising from business combinations, reversal of the fair value adjustment of inventory sold in connection with business acquisitions, as well as the accelerated recognition of deferred revenues and accelerated depreciation of equipments as part of the new agreement with Hearst signed in December 2017 (Note 31) (only for adjusted operating earnings as it relates to accelerated depreciation of equipments).

During the year ended October 28, 2018, the Corporation updated the definition of adjusted operating earnings, which now excludes the amortization of intangible assets arising from business combinations and the reversal of the fair value adjustment of inventory sold in connection with business acquisitions. This modification of definition had no impact on the Corporation's consolidated financial statements, other than segmented information presentation.

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

Following changes to its organizational structure and its operating segments, the Corporation reviewed its groups of cash-generating units ("CGUs"), for which goodwill is monitored for internal management purposes. This review had no impact other than revising the groups of CGUs and the level at which goodwill is tested for impairment, as well as merging the goodwill allocated to the former Flexible Packaging Group with the goodwill of the Americas Group of the Packaging Sector, as disclosed in Note 15 to the Corporation's annual consolidated financial statements as of October 29, 2017. Goodwill of other sectors were already separately tested and presented.

Just before the change to the operating segments, the Corporation performed an impairment test for each cash generating unit subject to the change and no impairment losses were recognized.

3 SEGMENTED INFORMATION (CONTINUED)

The Corporation's revenues by main products and services are as follows for the years ended:

	October 28, 2018	October 29, 2017 [1]
Packaging products	**$ 976.6**	$ 308.2
Printing products	**1,344.9**	1,265.1
Publishing and content products	**167.6**	291.7
Other	**134.4**	142.2
	$ 2,623.5	$ 2,007.2

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

	As at October 28, 2018	As at October 29, 2017 [1]
Packaging	**$ 2,524.5**	$ 480.1
Printing	**1,052.9**	1,208.3
Other [2]	**204.8**	448.3
	$ 3,782.2	$ 2,136.7

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

[2] This heading includes mainly cash, accounts receivable, income taxes receivable, property, plant and equipment, intangible assets, deferred taxes and defined benefit asset not allocated to segments.

The various geographic segment components in the Consolidated Statements of Earnings and Consolidated Statements of Financial Position are as follows for the years ended:

Geographic segments	**October 28, 2018**	October 29, 2017
Revenues		
Canada		
Domestic	**$ 1,478.9**	$ 1,529.4
Exports	**136.2**	128.4
United States	**867.3**	349.4
Other	**141.1**	—
	$ 2,623.5	$ 2,007.2

3 SEGMENTED INFORMATION (CONTINUED)

	As at October 28, 2018	As at October 29, 2017
Non-current assets [1]		
Canada	**$ 798.7**	$ 794.4
United States	**1,658.0**	423.2
Other	**359.0**	—
	$ 2,815.7	$ 1,217.6

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

4 BUSINESS COMBINATIONS AND DISPOSALS

Transactions for the year ended October 28, 2018

Business combinations

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

  The cash consideration was $1,536.6 million (US$1,194.2 million), including customary adjustments for working capital. At Acquisition date, the Corporation financed the consideration paid as well as the acquisition costs out of a combination of:
  - cash-on-hand for an amount of $228.0 million;
  - an amount drawn from existing credit facilities of $222.3 million, in the form of an amount of $55.0 million and US$130.0 million ($167.3 million) (Note 18);
  - an amount drawn from new credit facilities of $965.0 million (US$750.0 million) (Note 18); and
  - the net proceeds from a bought deal public offering of subscription receipts of $274.9 million (Note 21).

  During the year ended October 28, 2018, acquisition costs of $14.1 million, and integration costs related to the acquisition of $11.7 million were expensed and recorded under Restructuring and other costs (gains) (Note 6).

  The acquisition of Coveris Americas has been accounted for using the acquisition method. Coveris Americas has been consolidated from the Acquisition date. The provisional purchase price allocation and the total cash consideration paid are presented in the table below. Management's provisional measurement of the fair values of assets acquired and liabilities assumed based on best estimates taking into account all relevant information available is also presented in the table below. Because the Company recently acquired Coveris Americas, it is not reasonably practical to definitively allocate the purchase price as at October 28, 2018. The accounting for the business combination is expected to be completed as soon as management has gathered all of the relevant information available and considered necessary in order to finalize this allocation, no later than 12 months after the Acquisition date. The process may result in transferring amounts to or from assets acquired, liabilities assumed and goodwill. Any adjustment to provisional amounts will be retrospectively recognized as at the acquisition date to reflect information obtained about facts and circumstances that existed and, if known, would have affected the measurement of the amounts recognized as at the acquisition date.

  As at October 28, 2018, although the measurement process is already well underway, the Corporation had not yet finalized the fair value measurement of the following main items:
  - intangible assets;
  - real estate leases, and
  - determination of deferred income taxes.

  The measurement process for these elements will continue over the next months. The final purchase price allocation could differ significantly from the amounts presented below and could also give rise to favorable or unfavorable impacts, among other things, on the currently recorded amount of amortization and depreciation and income tax expenses, which would be recognized retrospectively as at the acquisition date.

  The fair value of receivables acquired of $189.0 million, which includes a negligible amount deemed uncollectible as at the acquisition date, and inventories of $177.1 million is included in the current assets in the provisional accounting of this business combination.

4 BUSINESS COMBINATIONS AND DISPOSALS (CONTINUED)

- **Coveris Americas (continued)**
  The acquisition of Coveris Americas gave rise to goodwill because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce.

  During the year ended October 28, 2018, the Corporation entered into foreign exchange contracts to purchase approximately US$477.5 million in order to hedge the foreign exchange exposure of the transaction. Prior to their settlement during the year ended October 28, 2018, these foreign exchange contracts did not qualify for hedge accounting, and their measurement to fair value was recorded under Net financial expenses. These contracts generated a gain of $1.3 million.

  The Corporation's Consolidated Statements of Earnings for the year ended October 28, 2018 include the operating results of Coveris Americas since its acquisition date, including additional revenues of $629.9 million, and operating earnings before depreciation and amortization of $75.1 million, including adjustments related to the accounting of this acquisition and excluding acquisition costs and integration costs related to the acquisition of $7.4 million incurred by Coveris Americas, and excluding the reversal of the fair value adjustment of inventory sold of $9.5 million.

  If the Corporation had acquired Coveris Americas at the beginning of the year ended October 28, 2018, the Corporation estimates that its revenues would have increased by an additional amount of $610.2 million and its operating earnings before depreciation and amortization would have increased by an additional amount of $80.9 million. To determine these amounts, the Corporation made the assumption that fair value adjustments at the acquisition date would have been the same if the acquisition had occurred on October 30, 2017.

- **Flexipak**
  On October 31, 2017, the Corporation acquired all the shares of Les Industries Flexipak Inc. ("Flexipak"), a flexible packaging supplier located in Montréal, Quebec, for a purchase price of $10.7 million, including a contingent cash consideration of $0.2 million payable following the achievement of pre-established financial performance thresholds.This acquisition allows the Corporation to pursue its development in the packaging industry.

  During the year ended October 28, 2018, the Corporation finalized the purchase price allocation analysis of Flexipak as well as the accounting for this acquisition. Changes in the fair value of assets acquired and liabilities assumed during the year ended October 28, 2018 are negligible and reflected in the table below.

- **Contech**
  On January 9, 2018, the Corporation acquired Contech, a leader in the construction industry for training, trade show planning, networking events and competitions for construction professionals in Québec for a purchase price of $0.7 million. This acquisition is a natural fit for the Corporation's offering and strengthens its position as a leader in strategic information for the construction sector in Quebec.

- **Multifilm**
  On March 7, 2018, the Corporation acquired Multifilm Packaging Corporation ("Multifilm"), a flexible packaging supplier located in Elgin, Illinois, for a purchase price of $60.3 million, subject to adjustments and including a contingent cash consideration of $15.1 million payable following the achievement of pre-established financial performance. This acquisition is aligned with the growth strategy for the Packaging Sector.

  During the year ended October 28, 2018, the Corporation finalized the purchase price allocation analysis of Multifilm as well as the accounting for this acquisition. Changes in the fair value of assets acquired and liabilities assumed during the year ended October 28, 2018 are negligible and reflected in the table below.

- **Somabec**
  On October 2, 2018, the Corporation acquired Somabec Ltd ("Somabec), a pan-Canadian distributor of French-language books, and Edisem ("Edisem"), a publishing house (collectively, "Somabec"), for a purchase price of $1.3 million. This acquisition enables the Corporation to optimize its offering in the higher education markets.

  The Corporation's Consolidated Statements of Earnings for the year ended October 28, 2018 include the operating results of Flexipak, Contech, Multifilm and Somabec since their acquisition date, including additional revenues of $40.4 million, and operating earnings before depreciation and amortization of $6.1 million, including adjustments related to the accounting of these acquisitions. The fair value of receivables acquired of $6.5 million is included in current assets in the provisional accounting of these business combinations.

  If the Corporation had acquired these companies at the beginning of the year ended October 28, 2018, the Corporation estimates that its revenues would have increased by an additional amount of $13.2 million and and its operating earnings before depreciation and amortization would have increased by an additional amount of $1.4 million. To determine these amounts, the Corporation made the assumption that fair value adjustments at the acquisition date would have been the same if the acquisition had occurred on October 30, 2017.

4 BUSINESS COMBINATIONS AND DISPOSALS (CONTINUED)

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

	Coveris Americas	Other acquisitions [1]	Total
Assets acquired			
Current assets (including cash acquired of $21.9)	$ 392.0	$ 16.7	$ 408.7
Property, plant and equipment	436.0	28.2	464.2
Intangible assets	585.5	30.1	615.6
Goodwill (no tax value)	594.9	36.0	630.9
Deferred taxes	0.3	—	0.3
Other assets	1.4	—	1.4
	2,010.1	111.0	2,121.1
Liabilities assumed			
Current liabilities	200.1	6.4	206.5
Long-term debt and finance leases (current portion included) [2]	151.0	18.9	169.9
Pension benefits and other post-employment benefit plans	17.2	—	17.2
Deferred taxes	102.9	11.8	114.7
Other liabilities	2.3	—	2.3
	473.5	37.1	510.6
	$ 1,536.6	$ 73.9	$ 1,610.5
Total consideration			
Cash paid	$ 1,536.6	$ 58.6	$ 1,595.2
Short-term contingent consideration payable	—	0.2	0.2
Long-term contingent consideration payable	—	15.1	15.1
	$ 1,536.6	$ 73.9	$ 1,610.5

[1] Other acquisitions include Flexipak, Multifilm, Contech and Somabec.

[2] As at October 28, 2018, long-term debt and certain finance leases of Coveris Americas totalling $143.9 million had been repaid by the Corporation. With respect to the other acquisitions, long-term debt of $18.9 million has also been repaid by the Corporation as at October 28, 2018.

Business disposals

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

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

4 BUSINESS COMBINATIONS AND DISPOSALS (CONTINUED)

Transactions for the year ended October 29, 2017

Business combinations

- **Advisor and Financial Services Groups**
  On December 1, 2016, the Corporation acquired all B2B brands of the Advisor and Financial Services Groups from Rogers Media Inc. ("Advisor and Financial Services Groups") for a total consideration of $3.9 million paid in cash. During the year ended October 29, 2017, the Corporation completed its final assessment of the fair value of assets acquired and liabilities assumed related to this combination. The assets acquired are mainly comprised of intangible assets of $3.7 million and goodwill of $0.8 million, partially offset by a negligible amount of liabilities assumed. This acquisition was in line with the corporate strategy to grow specialized products and services offering in the Media Sector, reinforcing its actual B2B brands portfolio. The Corporation's Consolidated Statement of Earnings for the year ended October 29, 2017 includes the operating results of Advisor and Financial Services Groups since its acquisition date. If the Corporation had acquired this business on November 1, 2016, the Corporation's Consolidated Statements of Earnings would not have been significantly impacted.

- **Other business combinations**
  During the year ended October 29, 2017, amounts of $7.8 million and $4.6 million were paid for contingent considerations related to acquisitions completed in 2016 and 2015, respectively, and an amount of $0.4 million was received related to an acquisition completed in 2016. In addition, the Corporation completed its final assessment of the fair value of assets acquired and liabilities assumed of Flexstar Packaging Inc., acquired on October 14, 2016. Changes in the fair value of assets acquired and liabilities assumed were negligible.

Business disposals

- **Atlantic media assets**
  On April 12, 2017 the Corporation sold its Atlantic media assets for a cash consideration and an amount receivable. The transaction included 28 brands and web-related properties, four printing plants operated within the Media Sector, commercial printing activities in Newfoundland and Labrador, and distribution activities in Atlantic Canada. During the year ended October 29, 2017, the Corporation paid the final amount for the working capital adjustment.

- **Local and regional newspapers in Quebec and Ontario**
  During the year ended October 29, 2017, the Corporation disposed of 11 groups of local and regional newspapers in Quebec, representing a total of 22 newspapers and web-related properties, as part of the sale process of its local and regional newspapers in Quebec and Ontario announced on April 18, 2017, for a cash consideration and, for certain of them, an amount receivable.

  The Atlantic media assets and Quebec local and regional newspapers sold did not represent a separate major line of business or geographical area as defined under IFRS. As a result, the sale of these newspapers was not presented as a discontinued operation during the year ended October 29, 2017.

5 OPERATING EXPENSES

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

	October 28, 2018	October 29, 2017
Employee-related costs	**$ 654.0**	$ 592.0
Supply chain and logistics [1]	**1,303.7**	890.3
Other goods and services [2]	**113.9**	128.2
	$ 2,071.6	$ 1,610.5

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

[2] "Other goods and services" includes mainly promotion, advertising and telecommunications costs, office supplies, real estate expenses and professional fees. Operating leases recognized during the year ended October 28, 2018 represent $26.4 million ($23.2 million for the year ended October 29, 2017). Leasing and subleasing revenues recognized during the year ended October 28, 2018 were $3.9 million ($4.5 million for the year ended October 29, 2017).

The cost of goods sold recognized in operating expenses for the year ended October 28, 2018 was $1,599.3 million ($1,085.6 million for the year ended October 29, 2017). An amount of $4.9 million was recognized as inventory obsolescence expenses for the year ended October 28, 2018 ($1.1 million for the year ended October 29, 2017).

6 RESTRUCTURING AND OTHER COSTS (GAINS)

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

	October 28, 2018	October 29, 2017 [1]
Workforce reductions	**$ 11.6**	$ 13.2
Gains related to the sale of certain activities (Note 4) [2]	**(27.2)**	(24.1)
Other elements	**2.7**	2.0
Net gains on sale of buildings	**(6.5)**	(3.8)
Onerous contracts	**2.0**	0.6
Business acquisition costs [3]	**14.3**	0.5
Other acquisition-related costs [4]	**11.7**	—
Other revenues [5]	**—**	(2.0)
	$ 8.6	$ (13.6)

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

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

[3] Business acquisition costs include transaction costs, primarily legal fees, success fees related to the acquisition and other professional fees, for potential or completed business combinations.

[4] Other acquisition-related costs include integration costs related to acquired companies.

[5] Other revenues mainly represent the revaluation of the considerations payable as part of business combinations (Note 4).

7 IMPAIRMENT OF ASSETS

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

	October 28, 2018	October 29, 2017
Property, plant and equipment	**$ 3.5**	$ 1.2
Intangible assets	**3.1**	3.7
	$ 6.6	$ 4.9

Property, plant, equipment
During the years ended October 28, 2018 and October 29, 2017, the Corporation recognized an impairment charge in respect of property, plant and equipment in the Printing Sector of $3.5 million, mainly related to the closure of one plant following the termination of certain newspapers, and $1.2 million, mainly with respect to production equipment that was no longer used, respectively.

Intangible assets
During the year ended October 28, 2018, the Corporation performed its annual impairment test on intangible assets with an indefinite useful life, which consist of trade names acquired in business combinations for book publishing activities. The Corporation has concluded that the recoverable amount of the CGUs subject to the test was greater than their carrying amount. Therefore, the Corporation did not record any impairment charge during the year in respect of intangible assets with an indefinite useful life. During the year ended October 29, 2017, no impairment charge had been recorded in respect of intangible assets with an indefinite useful life.

During the years ended October 28, 2018 and October 29, 2017, the Corporation recognized impairment charges of $3.1 million and $3.7 million, respectively, mainly with respect to costs relating to technology projects in the Media Sector following the sale of its Atlantic Canada media assets and Quebec local and regional newspapers (Note 4).

Goodwill
During the years ended October 28, 2018 and October 29, 2017, the Corporation performed its annual goodwill impairment test. The Corporation concluded that the recoverable amount of the CGUs subject to the annual test was greater than their carrying amount. As such, no impairment charge was recorded during these years.

7 IMPAIRMENT OF ASSETS (CONTINUED)

Annual impairment test
As at October 28, 2018, the Corporation performed its annual impairment tests of goodwill and intangible assets with an indefinite useful life, in accordance with paragraph n) of Note 2 "Significant accounting policies".

- **Intangible assets with an indefinite useful life**
  The recoverable amounts of CGUs, established for the impairment test of intangible assets with an indefinite useful life, have been determined on the basis of the value in use.

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

  The fair value less costs of disposal is determined using capitalization multiples applied to budget for fiscal 2019, derived from comparable companies whose activities are similar to the CGU or group of CGUs concerned. This information can be observed in the market.

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

  The assumptions used by the Corporation in the future expected cash flow discounting model are classified in Level 3 of the fair value hierarchy, signifying that they are not based on observable market data. The Corporation performed a sensitivity analysis of capitalization multiples and operating earnings as part of its assessment of the recoverable amounts of the CGUs or group of CGUs tested for impairment. The results of the sensitivity analysis show that a 0.5x decrease in capitalization multiples or a 5% decrease in operating earnings before amortization and depreciation would not change the results of the test.

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

	Carrying amount of goodwill	Basis used for recoverable amount	Capitalization multiple
Packaging Sector			
Americas Group	$ 752.8	Fair value	10.6x
Coatings Group	70.0	Fair value	10.6x
Printing Sector			
Retail and Newspaper Group	211.5	Fair value	5.6x
Magazine, Book and Catalogue Group	65.4	Fair value	5.6x

The most recent calculation of the recoverable amount of Premedia Group and Book Publishing Group and CGUs related to trade names acquired in business combinations of book publishing activities was used for the impairment test of goodwill of these groups and intangible assets with an indefinite useful life of these groups of CGUs as at October 28, 2018, since all criteria described in Note 2 n) were satisfied.

8 DEPRECIATION AND AMORTIZATION

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

	October 28, 2018	October 29, 2017
Property, plant and equipment and investment properties	**$ 117.5**	$ 77.1
Intangible assets	**51.6**	26.3
	169.1	103.4
Intangible assets and other assets, recognized in revenues and operating expenses	**24.4**	24.4
	$ 193.5	$ 127.8

9 NET FINANCIAL EXPENSES

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

	October 28, 2018	October 29, 2017 [1]
Financial expenses on long-term debt	**$ 40.7**	$ 17.5
Net interest on defined benefit asset and liability (Note 27)	**1.9**	1.7
Other revenues	**(3.5)**	(0.9)
Net foreign exchange gains	**(2.6)**	(0.6)
	$ 36.5	$ 17.7

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

10 INCOME TAXES

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

	October 28, 2018	October 29, 2017
Earnings before share of net earnings in interests in joint ventures and income taxes	**$ 331.1**	$ 284.3
Canadian statutory tax rate [1]	**26.72 %**	26.82 %
Income taxes at the statutory tax rate	**88.5**	76.2
Effect of differences in tax rates in other jurisdictions	**(5.1)**	2.1
Income taxes on non-deductible expenses and non-taxable revenues	**(1.1)**	(3.1)
Change in deferred tax assets on tax losses or temporary differences not previously recognized	**(1.7)**	(0.4)
Impact of the U.S. tax reform [2]	**36.6**	—
Other	**0.6**	(1.7)
Income taxes at effective tax rate	**$ 117.8**	$ 73.1
Income taxes before the following items:	**$ 88.5**	$ 73.7
Impact of the U.S. tax reform [2]	**36.6**	—
Income taxes on restructuring and other costs (gains)	**(5.6)**	0.8
Income taxes on impairment of assets	**(1.7)**	(1.4)
Income taxes at effective tax rate	**$ 117.8**	$ 73.1

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

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

The Corporation's U.S. income tax provision for the year ended October 28, 2018 and the resulting income tax assets and liabilities have been determined based on the Internal Revenue Code and the related regulations currently enacted. The U.S. Treasury Department, the Internal Revenue Service ("IRS"), and other standard-setting bodies will eventually issue guidance (which could potentially apply retroactively) on how the provisions of the TCJA will be applied or administered. This guidance could lead to an interpretation that is very different from ours. As such guidance is issued by the IRS or any other standard-setting body, we will reperform our analyses of relevant data and might have to adjust the recorded amounts. These adjustments could materially affect our financial position and results of operations as well as our effective tax rate in the period in which they are made.

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

	October 28, 2018	October 29, 2017
Current income taxes		
Current year	**$ 58.3**	$ 49.4
Adjustment for previous years' balances	**(0.9)**	0.5
	57.4	49.9
Deferred taxes		
Adjustment for previous years' balances	**1.1**	(1.4)
Origination and reversal of temporary differences	**22.4**	24.4
Change in deferred tax assets on tax losses or temporary differences not previously recognized	**(1.7)**	(0.4)
Impact of tax rate changes	**38.6**	0.6
	60.4	23.2
Income taxes	**$ 117.8**	$ 73.1

10 INCOME TAXES (CONTINUED)

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

	As at October 28, 2018		As at October 29, 2017	
	Asset	**Liability**	Asset	Liability
Property, plant and equipment	**$ —**	**$ 80.6**	$ —	$ 42.1
Intangible assets and goodwill	**—**	**173.5**	—	38.0
Provisions	**17.4**	**—**	16.7	—
Deferred revenues	**7.3**	**—**	41.9	—
Long-term debt	**—**	**1.2**	—	1.9
Defined benefit plans	**14.9**	**—**	12.5	—
Issuance of shares	**3.0**	**—**	—	—
Loss carryforwards	**101.1**	**—**	105.5	—
Interest expense	**26.4**	**—**	—	—
Other	**5.2**	**—**	0.3	—
	175.3	**255.3**	176.9	82.0
Offsetting of assets and liabilities	**(156.9)**	**(156.9)**	(37.9)	(37.9)
	$ 18.4	**$ 98.4**	$ 139.0	$ 44.1

Loss carryforwards included in deferred tax assets expire between 2019 and 2038.

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

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

10 INCOME TAXES (CONTINUED)

Changes in deferred tax assets and liabilities for the year ended October 29, 2017 are as follows :

	Balance as at October 30, 2016	Recognized in net earnings	Exchange rate change	Recognized in other comprehensive income (loss)	Business combinations	Balance as at October 28, 2017
Property, plant and equipment	$ (45.9)	$ 3.1	$ —	$ —	$ 0.7	$ (42.1)
Intangible assets and goodwill	(41.9)	3.7	0.4	—	(0.2)	(38.0)
Provisions	16.0	1.0	(0.1)	—	(0.2)	16.7
Deferred revenues	59.3	(16.5)	(0.9)	—	—	41.9
Long-term debt	(2.4)	1.5	—	(1.0)	—	(1.9)
Defined benefit plans	15.8	(0.9)	—	(2.4)	—	12.5
Loss carryforwards	124.0	(13.8)	(4.7)	—	—	105.5
Other	3.0	(1.3)	0.4	(0.9)	(0.9)	0.3
	$ 127.9	$ (23.2)	$ (4.9)	$ (4.3)	$ (0.6)	$ 94.9

As at October 28, 2018, the Corporation has $0,9 million in capital losses that can be carried forward indefinitely and for which the potential benefits have not been recognized. In addition, the Corporation has deductible temporary differences as well as loss carryforwards in certain states of the United States for which, considering that it is unlikely that a sufficient future taxable income will be available to use a portion of those items, the Corporation has not recognized a deferred tax asset totaling $32.4 million. Loss carryforwards related to this unrecognized asset expire between 2019 and 2038.

As at October 28, 2018, 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.

11 ACCOUNTS RECEIVABLE

The components of accounts receivable are as follows:

	As at October 28, 2018	As at October 29, 2017
Trade receivables	**$ 515.2**	$ 336.1
Allowance for doubtful accounts	**(4.4)**	(5.3)
Other receivables	**54.6**	49.8
	$ 565.4	$ 380.6

12 INVENTORIES

The components of inventories are as follows:

	As at October 28, 2018	As at October 29, 2017
Raw materials	**$ 151.1**	$ 71.4
Work in progress and finished goods	**167.2**	53.3
Provision for obsolescence	**(12.7)**	(7.8)
	$ 305.6	$ 116.9

13 PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTIES

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

October 28, 2018	Land	Buildings	Investment properties	Leasehold improvement	Machinery equipment	Machinery and equipment under finance leases	Other equipmen	Assets under construction and deposits on equipment	Total
Cost									
Balance, beginning of year	$ 43.8	$ 228.6	$ —	$ 46.7	$ 1,189.2	$ 13.0	$ 86.4	$ 15.0	$ 1,622.7
Acquisitions	—	2.1	0.2	0.5	8.4	—	1.4	45.5	58.1
Transfer (Note 31)	(27.4)	(45.0)	72.4	—	—	—	—	—	—
Made available for use	—	7.3	0.1	1.3	38.5	—	1.4	(48.6)	—
Business combinations (Note 4)	20.7	70.6	—	0.2	339.1	—	3.6	30.0	464.2
Business disposals (Note 4)	—	(0.8)	—	(0.3)	(0.1)	—	(0.2)	—	(1.4)
Disposals and retirement	(0.9)	(5.9)	—	(1.6)	(188.1)	(0.1)	(11.9)	(0.5)	(209.0)
Exchange rate change and other	0.3	1.5	1.3	(0.1)	4.5	—	0.3	0.4	8.2
Balance as at October 28, 2018	$ 36.5	$ 258.4	$ 74.0	$ 46.7	$ 1,391.5	$ 12.9	$ 81.0	$ 41.8	$ 1,942.8
Accumulated depreciation and impairment losses									
Balance, beginning of year	$ —	$ (121.6)	$ —	$ (21.9)	$ (889.2)	$ (13.0)	$ (76.2)	$ —	$ (1,121.9)
Depreciation	—	(9.5)	(0.9)	(4.3)	(97.1)	—	(5.7)	—	(117.5)
Transfer (Note 31)	—	17.0	(17.0)	—	—	—	—	—	—
Business disposals (Note 4)	—	0.5	—	0.2	0.1	—	0.1	—	0.9
Disposals and retirement	—	2.6	—	1.3	174.1	0.1	11.6	—	189.7
Impairment losses	—	—	—	(0.2)	(3.3)	—	—	—	(3.5)
Exchange rate change and other	—	(0.2)	(0.3)	0.2	(1.3)	—	(0.3)	—	(1.9)
Balance as at October 28, 2018	$ —	$ (111.2)	$ (18.2)	$ (24.7)	$ (816.7)	$ (12.9)	$ (70.5)	$ —	$ (1,054.2)
Net carrying amount	$ 36.5	$ 147.2	$ 55.8	$ 22.0	$ 574.8	$ —	$ 10.5	$ 41.8	$ 888.6

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

October 29, 2017	Land	Buildings	Leasehold improvements	Machinery and equipment	Machinery and equipment under finance leases	Other equipment	Assets under construction and deposits on equipment	Total
Cost								
Balance, beginning of year	$ 46.9	$ 242.8	$ 47.5	$ 1,197.4	$ 13.0	$ 100.6	$ 30.7	$ 1,678.9
Acquisitions	—	0.4	0.6	8.0	—	0.9	23.9	33.8
Made available for use	—	4.9	0.9	31.6	—	2.1	(39.5)	—
Business combinations (Note 4)	—	—	—	(0.5)	—	—	(0.1)	(0.6)
Business disposals (Note 4)	(1.4)	(9.7)	(0.9)	(15.3)	—	(4.3)	—	(31.6)
Disposals and retirement	(0.5)	(7.1)	(1.4)	(25.1)	—	(12.1)	—	(46.2)
Exchange rate change and other	(1.2)	(2.7)	—	(6.9)	—	(0.8)	—	(11.6)
Balance as at October 29, 2017	$ 43.8	$ 228.6	$ 46.7	$ 1,189.2	$ 13.0	$ 86.4	$ 15.0	$ 1,622.7
Accumulated depreciation and impairment losses								
Balance, beginning of year	$ —	$ (123.9)	$ (19.8)	$ (870.4)	$ (13.0)	$ (85.8)	$ —	$ (1,112.9)
Depreciation	—	(8.5)	(3.9)	(58.1)	(0.1)	(6.5)	—	(77.1)
Business disposals (Note 4)	—	6.1	0.6	14.5	—	4.0	—	25.2
Disposals and retirement	—	4.1	1.2	23.1	0.1	11.8	—	40.3
Impairment losses	—	—	—	(1.2)	—	—	—	(1.2)
Exchange rate change and other	—	0.6	—	2.9	—	0.3	—	3.8
Balance as at October 29, 2017	$ —	$ (121.6)	$ (21.9)	$ (889.2)	$ (13.0)	$ (76.2)	$ —	$ (1,121.9)
Net carrying amount	$ 43.8	$ 107.0	$ 24.8	$ 300.0	$ —	$ 10.2	$ 15.0	$ 500.8

Borrowing costs capitalized to property, plant and equipment
For the years ended October 28, 2018 and October 29, 2017, negligible amounts were capitalized to property, plant and equipment as borrowing costs.

14 INTANGIBLE ASSETS

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

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

14 INTANGIBLE ASSETS (CONTINUED)

	Finite useful life						Indefinite useful life	
October 29, 2017	Customer relationships	Book prepublication costs	Educational book titles	Non-compete agreements	Technology project costs	Acquired printing contracts and other	Trade names	Total
Cost								
Balance, beginning of year	$ 184.5	$ 133.9	$ 12.6	$ 10.1	$ 52.8	$ 15.5	$ 115.3	$ 524.7
Additions (internally generated)	—	9.5	—	—	5.1	—	—	14.6
Business combinations (Note 4)	2.1	—	—	—	—	—	1.6	3.7
Business disposals (Note 4)	—	—	—	—	(0.9)	—	(95.4)	(96.3)
Retirement	(1.7)	—	—	(0.4)	(5.2)	—	—	(7.3)
Exchange rate change and other	(4.4)	—	—	—	—	—	—	(4.4)
Balance as at October 29, 2017	$ 180.5	$ 143.4	$ 12.6	$ 9.7	$ 51.8	$ 15.5	$ 21.5	$ 435.0
Accumulated amortization and impairment losses								
Balance, beginning of year	$ (59.1)	$ (104.8)	$ (9.9)	$ (8.3)	$ (25.4)	$ (11.6)	$ (88.6)	$ (307.7)
Amortization	(16.5)	(12.7)	(1.0)	(0.7)	(7.4)	(1.3)	(0.2)	(39.8)
Business disposals (Note 4)	—	—	—	—	0.4	—	78.5	78.9
Retirement	1.7	—	—	0.4	5.2	—	—	7.3
Impairment losses	—	—	—	—	(3.7)	—	—	(3.7)
Exchange rate change and other	1.1	—	—	—	—	—	—	1.1
Balance as at October 29, 2017	$ (72.8)	$ (117.5)	$ (10.9)	$ (8.6)	$ (30.9)	$ (12.9)	$ (10.3)	$ (263.9)
Net carrying amount	$ 107.7	$ 25.9	$ 1.7	$ 1.1	$ 20.9	$ 2.6	$ 11.2	$ 171.1

15 GOODWILL

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

	October 28, 2018	October 29, 2017
Balance, beginning of year	**$ 505.0**	$ 509.7
Business combinations (Note 4)	**630.9**	1.6
Exchange rate change	**14.1**	(6.3)
Balance, end of year	**$ 1,150.0**	$ 505.0

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

Operating segments	As at October 28, 2018	As at October 29, 2017
Packaging Sector		
Americas Group [1]	**$ 755.5**	$ —
Coatings Group	**70.1**	—
Flexible Packaging Group [1]	**—**	182.5
	825.6	182.5
Printing Sector		
Retail and Newspaper Group	**211.5**	211.5
Magazine, Book and Catalogue Group	**65.4**	65.4
Premedia Group	**12.5**	12.5
	289.4	289.4
Media Sector		
Book Publishing Group	**20.8**	19.5
Business Solutions Group	**14.2**	13.6
	35.0	33.1
	$ 1,150.0	$ 505.0

[1] The Corporation aggregated the goodwill previously allocated to the Flexible Packaging Group and the goodwill of the group of CGUs comprising the Americas Group resulting from the acquisition of Coveris Americas (Note 4) due to the synergies expected between existing pre-acquisition packaging activities and those of Coveris Americas in the Americas.

16 OTHER ASSETS

The components of other assets are as follows:

	As at October 28, 2018	As at October 29, 2017 [1]
Contract acquisition costs	**$ 19.2**	$ 21.8
Defined benefit asset (Note 27)	**5.0**	2.6
Fair value of derivative financial instruments	**0.1**	1.8
Other	**10.7**	14.4
	$ 35.0	$ 40.6

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

17 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	As at October 28, 2018	As at October 29, 2017 [1]
Accounts payable and other accruals	**$ 267.4**	$ 159.8
Salaries and other benefits payable	**104.7**	85.6
Stock-based compensation (Note 23)	**12.5**	16.9
Derivative financial instruments	**0.6**	0.1
Financial expenses payable	**9.9**	6.1
Other	**36.5**	36.2
	$ 431.6	$ 304.7

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

18 LONG-TERM DEBT

Long-term debt is as follows:

	Effective interest rate as at October 28, 2018	Maturity	As at October 28, 2018	As at October 29, 2017
Senior unsecured notes - 3.897%	4.03 %	2019	**$ 250.0**	$ 250.0
Credit facility in U.S. dollars	4.01	2023	**130.8**	—
Term loans - US$750 million	4.06	2020 à 2023	**981.0**	—
Debentures - Fonds de solidarité FTQ				
Series 1 - 5.58%	—	2019	**—**	50.0
Series 2 - 4.011%	—	2020	**—**	50.0
Unified Debenture - Fonds de solidarité FTQ - 4.784%	4.84	2028	**100.0**	—
Finance leases	—		**5.8**	—
			1,467.6	350.0
Issuance costs on long-term debt at amortized cost			**6.6**	1.7
Total long-term debt			**1,461.0**	348.3
Current portion of long-term debt			**251.2**	—
			$ 1,209.8	$ 348.3

Senior unsecured notes
The senior unsecured notes, amounting to $250.0 million, bear interest at 3.897% and mature in 2019. Interest is payable every six months. The notes are direct unsecured obligations of the Corporation and rank *pari passu* with all other unsecured and unsubordinated indebtedness of the Corporation.

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 2022, and for which maturity was extended on December 22, 2017 to February 2023 on the same terms. The applicable interest rate on the credit facility is based on the credit rating assigned by Standard & Poor's and DBRS. According to the current credit rating, it is either the bank prime rate, the banker's acceptance rate or LIBOR, plus 1.675%, or the Canadian or U.S. prime rate, plus 0.675%. As at October 28, 2018, the nominal rate was 3.51% and 3.72% for the credit facility in Canadian dollars and in U.S. dollars, respectively.

As at October 28, 2018, an amount of $130.8 million had been drawn on the existing credit facilities, and no letter of credit had been issued, and the unused amount under the credit facility was $269.2 million.

The Corporation had two revolving and uncommitted letters of credit facilities, for an aggregate amount of $30.0 million, which were maturing on April 11, 2018. During the year ended October 28, 2018, the Corporation renewed its letters of credit facilities, which no longer have a maturity date. The fees applicable to the issued portion of these letter of credit facilities are 0.80% annually. As at October 28, 2018, letters of credit amounting to $28.7 million ($17.6 million as at October 29, 2017) were issued on these facilities, mainly to secure unpaid contributions with respect to the solvency deficiency of the Corporation's defined benefit plans (Note 27 "Employee benefits").

18 LONG-TERM DEBT (CONTINUED)

Issuance of term loans
On May 1, 2018, in connection with the acquisition of Coveris Americas (Note 4), the Corporation entered into an agreement to issue new non-revolving credit facilities in the form of six tranches of term loans issued in U.S. dollars (the "Term loans"), having the following characteristics at issuance :

	Issued amount in USD	Equivalent amount in CAD at issuance date	Maturity
Term loans			
Term loan A	$ 112.5	$ 144.8	2020
Term loan B	112.5	144.8	2021
Term loan C	150.0	192.9	2021
Term loan D	150.0	192.9	2022
Term loan E	112.5	144.8	2022
Term loan F	112.5	144.8	2023
	$ 750.0	$ 965.0	

Term loans bear interest at US base rate or LIBOR, plus an applicable margin ranging from 0.70% to 1.70%, payable every six months, and are repayable over a period between 30 to 60 months, depending on the tranche.

Issuance costs totalling $5.3 million were incurred and recorded against long-term debt, and will be amortized using the effective interest method over the duration of the Term loans.

Hedging instruments
During the year ended October 28, 2018, an average amount of US$187.0 million ($254.4 million) of the Term loans and credit facility denominated in U.S. dollars had been designated by the Corporation as hedging instruments of its net investment in foreign operations. As there was no hedge ineffectiveness during the year ended October 28, 2018, there was no impact on the Consolidated Statements of Earnings. Consequently, a foreign exchange loss of $4.0 million was reclassified to other comprehensive income.

Modifications of Debentures - Fonds de solidarité FTQ
On July 13, 2018, the Corporation modified certain terms of its Debentures - Fonds de solidarité FTQ Series 1 - 5.58 % and Series 2 - 4.011 % of $50.0 million each, by merging them into a single debenture (the "Unified Debenture - Fonds de solidarité FTQ" or the "Unified Debenture") of $100.0 million, bearing interest at 4.784%, payable every six months, and maturing on February 1, 2028. The Corporation incurred financing fees of $0.5 million, to be amortized using the effective interest method over the duration of the Unified Debenture.

The Corporation must comply with certain restrictive covenants, including maintaining certain financial ratios. During the years ended October 28, 2018 and October 29, 2017, the Corporation has not been in default under any covenants.

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

	Principal payments
2019	$ 251.2
2020	148.5
2021	344.8
2022	475.1
2023	148.0
After	100.0
	$ 1,467.6

19 PROVISIONS

The following table presents changes in provisions for the year ended October 28, 2018:

	Restructuring costs	Onerous contracts	Other	Total
Balance, beginning of year	$ 4.6	$ 2.5	$ 0.6	$ 7.7
Provisions recorded	11.7	2.0	0.3	14.0
Amounts used	(13.7)	(2.2)	(0.3)	(16.2)
Provisions reversed	(0.1)	(0.1)	(0.2)	(0.4)
Business combinations	—	0.9	—	0.9
Balance as at October 28, 2018	$ 2.5	$ 3.1	$ 0.4	$ 6.0
Current portion	$ 2.5	$ 1.2	$ —	$ 3.7
Non-current portion	—	1.9	0.4	2.3
	$ 2.5	$ 3.1	$ 0.4	$ 6.0

Restructuring costs
The Corporation is implementing rationalization measures in its operating segments due to major structural changes in the printing and media industry. In addition, in connection with the acquisition of Coveris Americas, the Corporation incurred workforce reduction and retention costs.

Onerous contracts
The provisions for onerous contracts are related to the operating leases for space not used by the Corporation following rationalization measures, and represent the present value of future rental expenses that the Corporation must pay under non-cancellable leases, net of estimated future subleasing revenues expected to be received on these contracts. The maximum term of these contracts is 4.5 years.

20 OTHER LIABILITIES

The components of other liabilities are as follows:

	As at October 28, 2018	As at October 29, 2017
Deferred revenues	**$ 21.8**	$ 84.1
Accrued liabilities and other liabilities	**24.4**	8.6
Stock-based compensation (Note 23)	**11.0**	15.8
Defined benefit liability (Note 27)	**63.0**	50.5
Derivative financial instruments	**0.1**	—
	$ 120.3	$ 159.0

21 SHARE CAPITAL

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

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

	October 28, 2018		October 29, 2017	
	Number of shares	**Amount**	Number of shares	Amount
Class A Subordinate Voting Shares				
Balance, beginning of year	**63,567,144**	**$ 352.6**	62,886,445	$ 342.8
Conversion of Class B Shares into Class A Subordinate Voting Shares	**4,600**	**—**	89,100	0.1
Shares redeemed and cancelled	**(1,022,290)**	**(7.1)**	(2,663)	—
Issuance of shares through a public offering, net of issuance costs	**10,810,000**	**277.9**	—	—
Exercise of stock options	**—**	**—**	594,262	9.7
Balance, end of year	**73,359,454**	**623.4**	63,567,144	352.6
Class B Shares				
Balance, beginning of year	**13,985,526**	**19.0**	14,074,626	19.1
Conversion of Class B Shares into Class A Subordinate Voting Shares	**(4,600)**	**—**	(89,100)	(0.1)
Balance, end of year	**13,980,926**	**19.0**	13,985,526	19.0
	87,340,380	**$ 642.4**	77,552,670	$ 371.6

Issuance of shares

In connection with the acquisition of Coveris Americas (Note 4), the Corporation issued 10,810,000 subscription receipts on April 20, 2018 through a bought-deal public offering. On May 1, 2018, upon final closing of the acquisition of Coveris Americas, each subscription receipt entitled its holder to automatically receive, without payment of additional consideration or further action, one Class A Subordinate Voting Share of the Corporation.

Shares issued in exchange for subscription receipts were as follows:

	Public offering
Number of shares issued in exchange for subscription receipts	10,810,000
Price per subscription receipt (in $)	$ 26.60
Gross proceeds	287.5
Less: Share issuance costs	(12.6)
Plus: Income taxes related to share issuance costs	3.0
Shares issued in exchange for subscription receipts	$ 277.9
Less: Non-cash income taxes related to common share issuance costs	$ (3.0)
Net proceeds from shares issued in exchange for subscription receipts	$ 274.9

Issuance costs of $9.6 million, net of taxes, were recorded against share capital upon issuance of the Class A Subordinate Voting Shares.

Share redemptions

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, 2018 and September 30, 2019, or at an earlier date if the Corporation concludes or cancels the offer, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 189,344 of its Class B Shares. The repurchases were made in the normal course of business at market prices through the Toronto Stock Exchange.

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 April 17, 2017 and April 16, 2018, or at an earlier date if the Corporation concludes or cancels the offer, up to 2,000,000 of its Class A Subordinate Voting Shares and up to 442,349 of its Class B Shares. The repurchases were made in the normal course of business at market prices through the Toronto Stock Exchange.

21 SHARE CAPITAL (CONTINUED)

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 April 15, 2016 and April 14, 2017, or at an earlier date if the Corporation concludes or cancels the offer, up to 2,000,000 of its Class A Subordinate Voting Shares and up to 226,344 of its Class B Shares. The repurchases were made in the normal course of business at market prices through the Toronto Stock Exchange.

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

During the year ended October 29, 2017, the Corporation repurchased and cancelled 2,663 of its Class A Subordinate Voting Shares at a weighted average price of $17.48, for for a total negligible consideration. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares as at October 29, 2017. During the year ended October 29, 2017, the Corporation did not repurchase any of its Class B Shares, and was under no obligation as such at that date.

Exercise of stock options
When officers and senior executives exercise their stock options, any consideration paid is credited to share capital and the amount previously credited to contributed surplus is also transferred to share capital. During the year ended October 28, 2018, no stock options were exercised. For the year ended October 29, 2017, consideration of $7.6 million was received, and $2.1 million was transferred from contributed surplus to share capital.

Dividends
Dividends of $0.830 and $0.785 per share were declared and paid to the holders of shares for the years ended October 28, 2018 and October 29, 2017, respectively.

22 NET EARNINGS PER SHARE

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

	October 28, 2018	October 29, 2017
Numerator		
Net earnings	**$ 213.4**	$ 211.5
Denominator (in millions)		
Weighted average number of shares outstanding - basic	**82.5**	77.3
Dilutive effect of stock options	**0.1**	0.2
Weighted average number of shares - diluted	**82.6**	77.5

As at October 28, 2018 and October 29, 2017, all stock options were included in the calculation of diluted net earnings due to their potential dilutive effect.

23 STOCK-BASED COMPENSATION

Stock option plan

The Corporation has a stock option plan for certain officers and senior executives. The number of Class A Subordinate Voting Shares authorized for issuance and the balance of shares that are issuable under the plan as at October 28, 2018 were 6,078,562 and 3,583,635, respectively. Under the plan, each stock option entitles its holder to receive upon exercise one Class A Subordinate Voting Share. The exercise price of each option is determined using the weighted average price of all trades for the five days immediately preceding the grant of the stock option. The Corporation has ceased granting stock options during the year ended October 31, 2014.

For the years ended October 28, 2018 and October 29, 2017, stock-based compensation expenses of negligible amounts, respectively, were charged to the Consolidated Statements of Earnings and increased contributed surplus included in equity.

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

	October 28, 2018		October 29, 2017	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding at beginning of year	**135,240**	**$ 11.33**	729,502	$ 12.60
Exercised	**—**	**—**	(594,262)	12.89
Options outstanding at end of year	**135,240**	**$ 11.33**	135,240	$ 11.33
Options exercisable at the end of year	**135,240**	**$ 11.33**	135,240	$ 11.33

As at October 28, 2018, the balance of stock options available for future grants under the plan was 3,448,395.

As at October 28, 2018, the exercise price of options outstanding at the end of the year was $11.33 and their remaining contractual life was 1.2 years.

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 settled, 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 28, 2018**	October 29, 2017	**October 28, 2018**	October 29, 2017
	DSUs		RSUs	
Balance, beginning of year	**289,786**	274,168	**957,312**	1,069,860
Units granted	**18,278**	13,545	**293,880**	248,371
Units cancelled	**(4,129)**	—	**(28,944)**	(6,198)
Units paid	**(5,613)**	(6,907)	**(353,927)**	(382,726)
Units converted	**(35)**	—	**35**	—
Dividends paid in units	**9,748**	8,980	**26,544**	28,005
Balance, end of year	**308,035**	289,786	**894,900**	957,312

As at October 28, 2018, the liability related to the share unit plan for certain officers and senior executives was $18.1 million, including $11.0 million presented under Other liabilities ($25.1 million as at October 29, 2017, including $15.8 million presented under Other liabilities). The expenses recorded in the Consolidated Statements of Earnings for the years ended October 28, 2018 and October 29, 2017 were $2.9 million and $16.6 million, respectively. Amounts totalling $9.9 million and $8.0 million were paid under this plan for the years ended October 28, 2018 and October 29, 2017, respectively.

23 STOCK-BASED COMPENSATION (CONTINUED)

Share unit plan for directors

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

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

Number of units	**October 28, 2018**	October 29, 2017
Balance, beginning of year	**268,551**	377,901
Directors' compensation	**28,925**	25,931
Units paid	**(55,928)**	(145,014)
Dividends paid in units	**7,720**	9,733
Balance, end of year	**249,268**	268,551

As at October 28, 2018, the liability related to the share unit plan for directors was $5.4 million ($7.6 million as at October 29, 2017). The expense (gain) recorded in the Consolidated Statements of Earnings for the years ended October 28, 2018 and October 29, 2017 were $(0.8) million and $4.4 million, respectively. Amounts totalling $1.4 million and $3.6 million were paid under this plan for the years ended October 28, 2018 and October 29, 2017, respectively.

24 ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cash flow hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive income
Balance as at October 29, 2017	**$ 1.0**	**$ 21.7**	**$ (28.2)**	**$ (5.5)**
Net change in gains (losses), net of income taxes	**(0.8)**	**13.8**	**3.3**	**16.3**
Balance as at October 28, 2018	**$ 0.2**	**$ 35.5**	**$ (24.9)**	**$ 10.8**
Balance as at October 31, 2016	$ (1.6)	$ 38.7	$ (34.4)	$ 2.7
Net change in gains (losses), net of income taxes	2.6	(17.0)	6.2	(8.2)
Balance as at October 29, 2017	$ 1.0	$ 21.7	$ (28.2)	$ (5.5)

As at October 28, 2018, the amounts expected to be reclassified to net earnings in future years are as follows:

	2019	Total
Net change in the fair value of derivatives designated as cash flow hedges	$ 0.3	$ 0.3
Income taxes	0.1	0.1
	$ 0.2	$ 0.2

25 SUPPLEMENTAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	October 28, 2018	October 29, 2017
Accounts receivable	**$ 14.9**	$ 28.4
Inventories	**(3.6)**	0.3
Prepaid expenses and other current assets	**(1.0)**	(0.6)
Accounts payable and accrued liabilities	**(99.4)**	(0.3)
Provisions	**(4.4)**	(5.7)
Deferred revenues and deposits	**(90.1)**	(49.9)
Defined benefit plans	**(1.2)**	(3.2)
	$ (184.8)	$ (31.0)

The following table presents changes in financial liabilities for the year ended October 28, 2018.

			Non-cash changes					
	October 29, 2017	Cash flows related to financing activities	Business acquisitions	Foreign exchange rate effect	Amendments to existing contracts	Amortization of deferred financing fees	Accrued interest	**October 28, 2018**
Senior unsecured notes - 3.897%	$ 250.0	$ —	$ —	$ —	$ —	$ —	$ 4.6	**$ 254.6**
Credit facility in Canadian dollars	—	—	—	—	—	—	0.1	**0.1**
Credit facility in U.S. dollars	—	129.0	—	1.8	—	—	—	**130.8**
Term loans - US$750 million	—	965.0	—	16.0	—	—	4.0	**985.0**
Debentures - Fonds de solidarité								
Series 1 - 5.58%	50.0	—	—	—	(50.0)	—	—	**—**
Series 2 - 4.011%	50.0	—	—	—	(50.0)	—	—	**—**
Unified Debenture - Fonds de solidarité FTQ - 4.784$	—	—	—	—	100.0	—	0.8	**100.8**
Other external debts	—	(164.0)	164.0	—	—	—	—	**—**
Unamortized financing fees	(1.7)	(6.2)	—	—	—	1.3	—	**(6.6)**
Finance leases	—	(0.3)	5.9	0.2	—	—	—	**5.8**
Contingent considerations	0.1	—	15.3	0.2	—	—	—	**15.6**
	$ 348.4	$ 923.5	$ 185.2	$ 18.2	$ —	$ 1.3	$ 9.5	**$ 1,486.1**

26 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 28, 2018	October 29, 2017
Salaries and other short-term benefits	**$ 11.3**	$ 10.9
Post-employment benefits	**0.8**	0.7
Stock-based compensation	**1.5**	17.4
	$ 13.6	$ 29.0

27 EMPLOYEE BENEFITS

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

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

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

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

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

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

The most recent actuarial valuations of the Corporation's pension plans for funding purposes were done as at December 31, 2015 for plans registered in Quebec, as at December 31, 2016 for plans registered in Ontario and as at December 1, 2017 for Coveris Americas' plans registered in the United States.

27 EMPLOYEE BENEFITS (CONTINUED)

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 28, 2018	October 29, 2017	**October 28, 2018**	October 29, 2017	**October 28, 2018**	October 29, 2017
Defined benefit obligation						
Balance, beginning of year	**$ 723.7**	$ 781.4	**$ 13.7**	$ 13.3	**$ 737.4**	$ 794.7
Current service cost [1]	**—**	—	**0.8**	0.3	**0.8**	0.3
Past service cost	**—**	(0.3)	**—**	—	**—**	(0.3)
Business combinations	**107.6**	—	**1.1**	—	**108.7**	—
Interest cost on the defined benefit obligation	**27.2**	24.8	**0.5**	0.4	**27.7**	25.2
Actuarial gains or losses from:						
Plan experience	**0.1**	1.5	**(0.4)**	(0.1)	**(0.3)**	1.4
Changes in demographic assumptions	**(0.5)**	0.2	**(0.4)**	—	**(0.9)**	0.2
Changes in financial assumptions	**(30.5)**	(30.9)	**0.1**	0.9	**(30.4)**	(30.0)
Defined benefit obligation extinguished on settlement	**—**	(1.0)	**—**	—	**—**	(1.0)
Benefits paid	**(65.3)**	(51.9)	**(1.1)**	(1.1)	**(66.4)**	(53.0)
Exchange rate change and other	**(0.5)**	(0.1)	**—**	—	**(0.5)**	(0.1)
Balance, end of year	**$ 761.8**	$ 723.7	**$ 14.3**	$ 13.7	**$ 776.1**	$ 737.4
Fair value of plan assets						
Balance, beginning of year	**$ 692.6**	$ 737.3	**$ —**	$ —	**$ 692.6**	$ 737.3
Interest income on plan assets	**25.8**	23.5	**—**	—	**25.8**	23.5
Business combinations	**91.5**	—	**—**	—	**91.5**	—
Actuarial gains or losses on plan assets	**(26.5)**	(19.0)	**—**	—	**(26.5)**	(19.0)
Administrative costs (other than asset management costs)	**(1.6)**	(1.1)	**—**	—	**(1.6)**	(1.1)
Benefits paid	**(65.3)**	(51.9)	**(1.1)**	(1.1)	**(66.4)**	(53.0)
Employer contributions	**3.4**	5.0	**1.1**	1.1	**4.5**	6.1
Asset distributed on settlement	**—**	(1.2)	**—**	—	**—**	(1.2)
Exchange rate change and other	**1.3**	—	**—**	—	**1.3**	—
Balance, end of year	**$ 721.2**	$ 692.6	**$ —**	$ —	**$ 721.2**	$ 692.6
Plan deficit	**$ (40.6)**	$ (31.1)	**$ (14.3)**	$ (13.7)	**$ (54.9)**	$ (44.8)
Effect of the asset ceiling	**(3.1)**	(3.1)	**—**	—	**(3.1)**	(3.1)
Defined benefit liability	**$ (43.7)**	$ (34.2)	**$ (14.3)**	$ (13.7)	**$ (58.0)**	$ (47.9)

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

27 EMPLOYEE BENEFITS (CONTINUED)

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

	As at October 28, 2018	As at October 29, 2017
Other assets (Note 16)	**$ 5.0**	$ 2.6
Other liabilities (Note 20)	**(63)**	(50.5)
	$ (58)	$ (47.9)

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

	As at October 28, 2018	As at October 29, 2017
Quoted in an active market		
Equity securities		
Canadian and foreign equities and investment funds	**$ 99.4**	$ 70.3
Debt securities		
Government and corporate bonds and investment funds	**399.6**	391.5
Cash and cash equivalents and investment funds	**11.3**	6.8
	510.3	468.6
Not quoted in an active market		
Insured annuities	**210.9**	224.0
	$ 721.2	$ 692.6

As at October 28, 2018, the plan assets included shares of the Corporation amounting to $0.4 million ($0.6 million as at October 29, 2017).

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 28, 2018 and October 29, 2017, 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 28, 2018	As at October 29, 2017	**As at October 28, 2018**	As at October 29, 2017	**As at October 28, 2018**	As at October 29, 2017
Fair value of plan assets for funded or partially funded plans	**$ 721.2**	$ 692.6	**$ —**	$ —	**$ 721.2**	$ 692.6
Defined benefit obligation of funded or partially funded plans	**735.5**	694.5	**—**	—	**735.5**	694.5
Effect of the asset ceiling	**(3.1)**	(3.1)	**—**	—	**(3.1)**	(3.1)
Funded status of funded or partially funded plans - deficit	**$ (17.4)**	$ (5.0)	**$ —**	$ —	**$ (17.4)**	$ (5.0)
Defined benefit obligation of unfunded plans	**(26.3)**	(29.2)	**(14.3)**	(13.7)	**(40.6)**	(42.9)
Total funded status - deficit	**$ (43.7)**	$ (34.2)	**$ (14.3)**	$ (13.7)	**$ (58.0)**	$ (47.9)

The Corporation expects to contribute $3.1 million to its defined benefit plans during the year ending October 27, 2019, 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.

27 EMPLOYEE BENEFITS (CONTINUED)

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

	As at October 28, 2018	As at October 29, 2017
Discount rate, end of year		
Canada	**3.90 %**	3.60 %
United States	**4.25**	—
Weighted average rate of compensation increase		
Canada	**2.45**	3.03

As at October 28, 2018, in Canada and in the United States, the growth rate of health care costs for other post-employment defined benefit plans was estimated at 6.0%, gradually decreasing to reach 4.15%, over 15 years.

The following table presents the impact of changes in the significant assumptions on the defined benefit obligation for the year ended October 28, 2018 and has some limitations. The sensitivities of each significant assumption have been calculated without taking into account any changes in the other assumptions. Actual results could therefore lead to changes in other assumptions simultaneously. Any change in one factor may result in changes in another factor, which could amplify or reduce the impact of changes in significant assumptions.

Increase (decrease)	Defined benefit obligation
Impact of 0.1% increase in discount rate	$ (9.2)
Impact of 0.1% decrease in discount rate	9.4
Impact of 1.0% increase in growth rate of health care costs	1.0
Impact of 1.0% decrease in growth rate of health care costs	(0.9)

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

	Pension benefits		Other defined benefit plans		Total	
	October 28, 2018	October 29, 2017	**October 28, 2018**	October 29, 2017	**October 28, 2018**	October 29, 2017
Current service cost	**$ —**	$ —	**$ 0.8**	$ 0.3	**$ 0.8**	$ 0.3
Past service cost	**—**	(0.3)	**—**	—	**—**	(0.3)
Administrative costs	**1.6**	1.1	**—**	—	**1.6**	1.1
Loss on settlement	**—**	0.2	**—**	—	**—**	0.2
Plans cost recognized in net earnings	**1.6**	1.0	**0.8**	0.3	**2.4**	1.3
Interest cost on the defined benefit obligation	**27.2**	24.8	**0.5**	0.4	**27.7**	25.2
Interest income on plan assets	**(25.8)**	(23.5)	**—**	—	**(25.8)**	(23.5)
Net interest on the defined benefit liability	**1.4**	1.3	**0.5**	0.4	**1.9**	1.7
Defined benefit plan cost	**$ 3.0**	$ 2.3	**$ 1.3**	$ 0.7	**$ 4.3**	$ 3.0

Defined benefit plan costs recognized under Operating expenses in the Consolidated Statements of Earnings for the years ended October 28, 2018 and October 29, 2017 were $1.6 million and $1.1 million, respectively. The net defined benefit plan gains or costs recognized under Restructuring and other costs (gains) in the Consolidated Statements of Earnings for the years ended October 28, 2018 and October 29, 2017 were $0.8 million and $0.3 million, respectively.

27 EMPLOYEE BENEFITS (CONTINUED)

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

	October 28, 2018	October 29, 2017
Defined contribution pension plans	**$ 18.0**	$ 17.7
State plans	**14.1**	15.8
	$ 32.1	$ 33.5

28 COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

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

	Less than 1 year	1 to 5 years	More than 5 years	Total
Leases for premises [1]	$ 26.3	$ 61.2	$ 21.4	$ 108.9
Contracts to acquire production equipment	4.2	3.2	—	7.4
	$ 30.5	$ 64.4	$ 21.4	$ 116.3

[1] The Corporation has entered into sublease agreements for some of its locations under operating leases, with expiry dates between 2019 and 2025. The Corporation estimates to recover an amount totaling $20.2 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 28, 2018, 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 28, 2018, 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 28, 2018, 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.

29 FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk that the Corporation will incur losses arising from the failure of third parties to meet their contractual obligations. The Corporation is exposed to credit risk with regard to its accounts receivable, 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 28, 2018 and October 29, 2017, the Corporation's maximum exposure to credit risk related to derivative financial instrument assets was low.

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

As at October 28, 2018, 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. The allowance for doubtful accounts and past due receivables are reviewed at each reporting date by management. The Corporation records a bad debt expense only on receivables where collection is not reasonably certain.

The past due receivables are as follows:

Trade receivables	As at October 28, 2018	As at October 29, 2017
1 - 30 days past due	$ 71.8	$ 53.4
31 - 60 days past due	21.0	11.1
More than 60 days past due	12.8	10.7
	105.6	75.2
Allowance for doubtful accounts	(4.4)	(5.3)
	$ 101.2	$ 69.9

The change in the allowance for doubtful accounts is as follows for the years ended:

	October 28, 2018	October 29, 2017
Balance, beginning of year	$ 5.3	$ 4.7
Business combinations (Note 4)	2.6	—
Bad debt expense	0.6	2.2
Receivables recovered or written off	(4.1)	(1.6)
Balance, end of year	$ 4.4	$ 5.3

Based on the payment history of customers, the Corporation is of the opinion that the allowance for doubtful accounts 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.

29 FINANCIAL INSTRUMENTS (CONTINUED)

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

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

The following table presents the contractual maturities of financial liabilities as at October 29, 2017:

	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	$ 304.5	$ 304.5	$ 304.5	$ —	$ —	$ —
Long-term debt	348.3	378.6	14.5	364.1	—	—
Other monetary liabilities, excluding contingent considerations	17.0	17.0	—	17.0	—	—
Contingent considerations	0.1	0.1	0.1	—	—	—
	669.9	700.2	319.1	381.1	—	—
Derivative financial instruments						
Foreign exchange forward contracts in liabilities	0.1	0.1	0.1	—	—	—
	$ 670.0	$ 700.3	$ 319.2	$ 381.1	$ —	$ —

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

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

a) Interest rate risk
The Corporation is exposed to market risk related to interest rate fluctuations because its long-term debt bears interest at fixed and floating rates. The Corporation manages this risk by maintaining an adequate mix of fixed and floating rate borrowings.

For the year ended October 28, 2018, 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 $2.9 million.

b) Foreign currency risk
The Corporation operates 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.

29 FINANCIAL INSTRUMENTS (CONTINUED)

To manage foreign currency risk related to exports to the United States, the Corporation enters into foreign exchange forward contracts. As at October 28, 2018, the Corporation held foreign exchange forward contracts to sell US$107.0 million (US$76.0 million as at October 29, 2017), of which US$66.5 million, US$28.5 million and US$12.0 million will be sold during fiscal 2019, fiscal 2020 and fiscal 2021, respectively. The maturities of foreign exchange forward contracts range from 1 to 36 months and their rates range from 1,2637 to 1,3526. Foreign exchange forward contracts are designated as cash flow and net investment hedging instruments as at October 28, 2018 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 28, 2018 and October 29, 2017.

As indicated in Note 18, the Corporation designated a portion of its term loans and credit facility denominated in U.S. dollars as hedging instruments for its net investment in foreign operations to mitigate its foreign currency risk. The designated amount varied between US$195.0 million and US$228.0 million during the year. The effective portion of unrealized exchange losses on the translation of the debt designated as a hedging item was $4.0 million for the year ended October 28, 2018 and was recorded in other comprehensive income.

For the years ended October 28, 2018 and October 29, 2017, 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 OCI:

	October 28, 2018		October 29, 2017	
	Net earnings	**Other comprehensive income**	Net earnings	Other comprehensive income
Exposure to U.S dollars	**$ 4.3**	**$ (10.9)**	$ (1.3)	$ (7.7)

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

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 table below indicates the fair value and the carrying amount of other financial instruments and derivative financial instruments as at October 28, 2018 and October 29, 2017.

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

The only financial instruments of the Corporation that are measured at fair value on a recurring basis subsequent to their initial recognition are derivative financial instruments, including foreign exchange forward contracts 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

29 FINANCIAL INSTRUMENTS (CONTINUED)

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

	As at October 28, 2018		As at October 29, 2017	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Foreign exchange forward contracts in assets	**$ 1.7**	**$ 1.7**	$ 5.0	$ 5.0
Contingent considerations	**(15.6)**	**(15.6)**	0.2	0.2
Long-term debt	**(1,472.6)**	**(1,461.0)**	(359.6)	(348.3)
Foreign exchange forward contacts in liabilities	**(0.7)**	**(0.7)**	(0.1)	(0.1)

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 28, 2018 and October 29, 2017, no financial instruments were transferred between levels 1, 2 and 3.

Sensitivity analysis of Level 3 financial instruments
As at October 28, 2018, all other things being equal, a 10% increase in expected financial performance thresholds of acquired businesses would have resulted in a decrease in net earnings of $5.4 million. A 10% decrease in expected financial performance thresholds would have resulted in an increase in net earnings of $8.2 million.

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

	October 28, 2018	October 29, 2017
Balance, beginning of year	**$ (0.2)**	$ (15.0)
Business combinations (Note 4)	**(15.3)**	—
Amount paid	**—**	12.5
Change included in net earnings	**—**	2.0
Exchange rate change	**(0.1)**	0.3
Balance, end of year	**$ (15.6)**	$ (0.2)

30 CAPITAL MANAGEMENT

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

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

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

	October 28, 2018	October 29, 2017 [1]
Long-term debt	**$ 1,209.8**	$ 348.3
Current portion of long-term debt	**251.2**	—
Cash	**(40.5)**	(247.1)
Net debt	**$ 1,420.5**	$ 101.2
Adjusted operating earnings before depreciation and amortization	**$ 459.3**	$ 396.7
Net debt ratio	**3.1x**	0.3x

[1] Amounts for the year ended October 29, 2017 were adjusted to reflect the changes to the definition of adjusted operating earnings before depreciation and amortization made during the year ended October 28, 2018.

For the year ended October 28, 2018, the Corporation was not in default with respect to any of its financial obligations and any of its covenants.

31 NEW AGREEMENT WITH HEARST

On December 21, 2017, The Hearst Corporation ("Hearst") terminated its printing services agreement under which the Corporation printed the San Francisco Chronicle in its Fremont, California facility, and a new agreement was signed under which the parties acknowledged the following:

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

The initial agreement included a payment by Hearst of an amount of $31.9 million as compensation for early termination of the printing agreement.

During the year ended October 28, 2018, the Corporation received a total amount of $54.7 million relating to the termination of the previous agreement and the signing of the new one.

Deferred revenues relating to the printing services agreement, which totaled $95.0 million as at December 21, 2017, to which the termination compensation of $31.9 million was added, were recognized during the year ended October 28, 2018 as indicated in the table thereafter, excluding the portion of deferred revenues of $16.5 million allocated to rental income, which will be recognized as revenues over the term of the Fremont lease contract. Due to this transaction, the Corporation reclassified the carrying amount of its Fremont building and land from a building for own use to an investment property for an amount of $55.4 million.

In addition, the Corporation revised the depreciation schedule and residual value of the printing equipments sold to Hearst under the new agreement, and of printing equipments to be transferred in other plants.

31 NEW AGREEMENT WITH HEARST (CONTINUED)

The following table presents the impact of this transaction on the Corporation's operating earnings for the year ended October 28, 2018:

Recognition of deferred revenues		
Recognition for the year, printing services portion	$	12.3
Recognition for the year, lease portion		1.4
Accelerated recognition		102.1
		115.8
Other revenues		
Transition services and building lease		11.9
		11.9
Depreciation of printing equipments sold and to be transferred		
Depreciation for the year		(2.3)
Accelerated depreciation		(22.0)
		(24.3)
Net impact of the transaction on operating earnings	**$**	**103.4**

Corporate Information

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Media
For general information about the Corporation, please contact the Communications Department
t. 514-954-4000

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

Duplicate Communications
Some shareholders may receive more than one copy of publications such as quarterly financial statements and the Annual Report. Every effort is made to avoid such duplication. Shareholders who receive duplicate mailings should advise AST Trust Company (Canada) at 1 800 387-0825.

Information
This annual report is also available in the "Investors" section of the Corporation's website. The list of Transcontinental Inc. business units is 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 trimestriels sont disponibles sur demande en communiquant avec le Service des relations avec les investisseurs et sur www.tc.tc

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Annual Meeting of Shareholders
Transcontinental Inc.'s Annual Meeting of Shareholders will be held at 2:00 p.m. on February 28, 2019 at the Saint James's Club of Montréal, 1145 Union Avenue, Montréal (Québec) Canada.

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Forward-looking statements

Our public communications often contain oral or written forward-looking statements which are based on the expectations of management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions.

The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. Forward-looking statements may include observations concerning the Corporation's objectives, strategy, anticipated financial results and business outlook. The Corporation's future performance may also be affected by a number of factors, many of which are beyond the Corporation's will or control. These factors include, but are not limited to, the economic situation in the world, structural changes in the industries in which the Corporation operates, the exchange rate, availability of capital, raw materials costs, competition, the Corporation's capacity to engage in strategic transactions and effectively integrate acquisitions into its activities without affecting its growth and its profitability, while achieving the expected synergies, the political, social, regulatory and legislative environment, in particular with regard to the environment and sustainable development, the safety of its packaging products used in the food industry, innovation of its offering, the protection of its intellectual property rights, concentration of its sales in certain segments, cybersecurity and data protection, recruiting and retaining qualified personnel in certain geographic areas and industry sectors, taxation, interest rate and indebtedness level. The main risks, uncertainties and factors that could influence actual results are described in the *Management's Discussion and Analysis (MD&A) for the fiscal year ended October 28, 2018* 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 nonrecurring or other unusual items, nor of divestitures, business combinations, mergers or acquisitions which may be announced after the date of December 13, 2018.

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 13, 2018. Such forward-looking information may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

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