CONSOLIDATED STATEMENTS OF EARNINGS

Unaudited

		Three months ended		Nine months ended	
(in millions of Canadian dollars, unless otherwise indicated and per share data)	Notes	**July 28, 2019**	July 29, 2018	**July 28, 2019**	July 29, 2018
Revenues	3	**$ 728.9**	$ 757.9	**$ 2,247.9**	$ 1,794.3
Operating expenses	5	**616.0**	651.0	**1,911.2**	1,404.5
Restructuring and other costs	6	**5.7**	14.3	**31.6**	—
Impairment of assets	7	**—**	2.9	**0.5**	6.6
Operating earnings before depreciation and amortization		**107.2**	89.7	**304.6**	383.2
Depreciation and amortization	8	**50.6**	50.1	**151.3**	121.0
Operating earnings		**56.6**	39.6	**153.3**	262.2
Net financial expenses	9	**16.3**	14.5	**50.2**	20.5
Earnings before income taxes		**40.3**	25.1	**103.1**	241.7
Income taxes	10	**36.9**	5.8	**49.3**	95.3
Net earnings		**$ 3.4**	$ 19.3	**$ 53.8**	$ 146.4
Net earnings per share - basic		**$ 0.04**	$ 0.22	**$ 0.62**	$ 1.81
Net earnings per share - diluted		**$ 0.04**	$ 0.22	**$ 0.62**	$ 1.81
Weighted average number of shares outstanding - basic (in millions)	14	**87.3**	87.6	**87.3**	80.7
Weighted average number of shares - diluted (in millions)	14	**87.4**	87.7	**87.4**	80.8

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended July 28, 2019	Three months ended July 29, 2018	Nine months ended July 28, 2019	Nine months ended July 29, 2018
Net earnings		**$ 3.4**	$ 19.3	**$ 53.8**	$ 146.4
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 - Foreign exchange risk		**3.1**	(0.5)	**0.4**	(0.5)
Net change in the fair value of derivatives designated as cash flow hedges - Interest rate risk	11	**(7.4)**	—	**(12.0)**	—
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		**(0.4)**	0.2	**(0.3)**	(0.9)
Related income taxes		**(2.5)**	(0.1)	**(3.2)**	(0.4)
		(2.2)	(0.2)	**(8.7)**	(1.0)
Cumulative translation differences					
Net unrealized exchange gains (losses) on the translation of the financial statements of foreign operations	16	**(27.3)**	16.8	**5.6**	16.2
Net gains (losses) on hedge of the net investment in foreign operations		**0.2**	(4.9)	**(0.8)**	(4.5)
Related income taxes		**—**	(0.8)	**(0.2)**	(0.7)
		(27.1)	12.7	**5.0**	12.4
Items that will not be reclassified to net earnings					
Changes related to defined benefit plans					
Actuarial gains (losses) on defined benefit plans	16	**0.5**	8.7	**(7.2)**	8.8
Related income taxes		**0.2**	2.3	**(2.0)**	2.6
		0.3	6.4	**(5.2)**	6.2
Other comprehensive income (loss)	16	**(29.0)**	18.9	**(8.9)**	17.6
Comprehensive income (loss)		**$ (25.6)**	$ 38.2	**$ 44.9**	$ 164.0

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

(in millions of Canadian dollars)	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance as at October 28, 2018		**$ 642.4**	**$ 1.1**	**$ 979.8**	**$ 10.8**	**$ 1,634.1**
Net earnings		**—**	**—**	**53.8**	**—**	**53.8**
Other comprehensive loss		**—**	**—**	**—**	**(8.9)**	**(8.9)**
Shareholders' contributions and distributions to shareholders						
Dividends	13	**—**	**—**	**(56.8)**	**—**	**(56.8)**
Income taxes on share issuance costs	13	**(0.5)**	**—**	**—**	**—**	**(0.5)**
Balance as at July 28, 2019		**$ 641.9**	**$ 1.1**	**$ 976.8**	**$ 1.9**	**$ 1,621.7**
Balance as at October 29, 2017		$ 371.6	$ 1.1	$ 851.5	$ (5.5)	$ 1,218.7
Net earnings		—	—	146.4	—	146.4
Other comprehensive income		—	—	—	17.6	17.6
Shareholders' contributions and distributions to shareholders						
Share redemptions	13	(2.9)	—	(10.0)	—	(12.9)
Dividends	13	—	—	(50.1)	—	(50.1)
Issuance of shares, net of issuance costs	13	278.2	—	—	—	278.2
Balance as at July 29, 2018		$ 646.9	$ 1.1	$ 937.8	$ 12.1	$ 1,597.9

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

(in millions of Canadian dollars)	Notes	As at July 28, 2019	As at October 28, 2018
Current assets			
Cash		**$ 41.5**	$ 40.5
Accounts receivable		**470.6**	565.4
Income taxes receivable		**24.8**	6.9
Inventories		**306.1**	305.6
Prepaid expenses and other current assets		**23.9**	24.7
Assets available for sale	18	**55.2**	—
		922.1	943.1
Property, plant, equipment and investment properties	18	**819.1**	888.6
Intangible assets		**701.5**	747.1
Goodwill		**1,156.3**	1,150.0
Deferred taxes	10	**22.7**	18.4
Other assets		**33.9**	35.0
		$ 3,655.6	$ 3,782.2
Current liabilities			
Accounts payable and accrued liabilities		**$ 366.6**	$ 431.6
Provisions	6	**12.2**	3.7
Income taxes payable		**10.2**	14.8
Deferred revenues and deposits		**14.8**	16.0
Current portion of long-term debt	11	**1.2**	251.2
		405.0	717.3
Long-term debt	11	**1,392.5**	1,209.8
Deferred taxes	10	**113.7**	98.4
Provisions		**2.0**	2.3
Other liabilities	12	**120.7**	120.3
		2,033.9	2,148.1
Equity			
Share capital	13	**641.9**	642.4
Contributed surplus		**1.1**	1.1
Retained earnings		**976.8**	979.8
Accumulated other comprehensive income	16	**1.9**	10.8
		1,621.7	1,634.1
		$ 3,655.6	$ 3,782.2

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended July 28, 2019	Three months ended July 29, 2018	Nine months ended July 28, 2019	Nine months ended July 29, 2018
Operating activities					
Net earnings		**$ 3.4**	$ 19.3	**$ 53.8**	$ 146.4
Adjustments to reconcile net earnings and cash flows from operating activities:					
Impairment of assets	7	**—**	2.9	**0.5**	6.6
Depreciation and amortization	8	**56.0**	56.1	**167.4**	139.6
Financial expenses on long-term debt	9	**14.8**	15.0	**46.6**	23.8
Net losses (gains) on disposal of assets		**—**	(1.4)	**0.3**	(5.6)
Net gains on business disposals	6	**—**	(2.3)	**—**	(37.5)
Income taxes	10	**36.9**	5.8	**49.3**	95.3
Net foreign exchange differences and other		**(1.3)**	(4.1)	**0.2**	7.0
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		**109.8**	91.3	**318.1**	375.6
Changes in non-cash operating items (1)		**(6.2)**	(7.2)	**10.0**	(116.4)
Income taxes paid		**(13.4)**	(7.0)	**(54.6)**	(36.0)
Cash flows from operating activities		**90.2**	77.1	**273.5**	223.2
Investing activities					
Business combinations, net of acquired cash		**—**	(1,561.5)	**—**	(1,616.3)
Business disposals		**—**	2.4	**—**	35.0
Acquisitions of property, plant and equipment		**(20.1)**	(19.5)	**(73.4)**	(37.6)
Disposals of property, plant and equipment		**—**	4.4	**—**	25.0
Increase in intangible assets		**(6.0)**	(9.0)	**(17.2)**	(16.9)
Dividends received from joint ventures		**—**	—	**—**	3.4
Cash flows from investing activities		**(26.1)**	(1,583.2)	**(90.6)**	(1,607.4)
Financing activities					
Increase in long-term debt, net of issuance costs	11	**300.0**	959.0	**300.0**	959.0
Reimbursement of long-term debt	11	**(250.0)**	(143.9)	**(250.0)**	(162.8)
Net increase (decrease) in credit facility	11	**(91.3)**	175.8	**(127.1)**	175.8
Financial expenses on long-term debt	9 & 11	**(17.5)**	(13.1)	**(49.1)**	(21.3)
Proceeds from issuance of shares in exchange for subscription receipts, net of issuance		**—**	274.9	**—**	274.9
Dividends	13	**(19.2)**	(18.4)	**(56.8)**	(50.1)
Share redemptions	13	**—**	—	**—**	(12.9)
Cash flows from financing activities		**(78.0)**	1,234.3	**(183.0)**	1,162.6
Effect of exchange rate changes on cash denominated in foreign currencies		**—**	1.4	**1.1**	2.2
Net change in cash		**(13.9)**	(270.4)	**1.0**	(219.4)
Cash at beginning of period		**55.4**	298.1	**40.5**	247.1
Cash at end of period		**$ 41.5**	$ 27.7	**$ 41.5**	$ 27.7
Non-cash investing activities					
Net change in capital asset acquisitions financed by accounts payable		**$ (0.1)**	$ —	**$ 3.7**	$ (0.4)

(1) Includes the accelerated recognition of the deferred revenues opening balance as at October 29, 2017 as part of the transaction with Hearst for the three-month and nine-month periods ended July 28, 2018 (Note 31 to the annual consolidated financial statements as of October 28, 2018).

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

The Corporation's Board of Directors approved these condensed interim consolidated financial statements on September 5, 2019.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
These interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). In particular, these interim consolidated financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting", and therefore, are condensed consolidated financial statements since they do not contain all disclosures required by IFRS for annual consolidated financial statements. These condensed interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended October 28, 2018, which include the significant accounting policies used by the Corporation.

The accounting policies adopted in these condensed interim consolidated financial statements are based on IFRS issued, in force and which were adopted by the Corporation as at July 28, 2019. Any subsequent changes to the accounting policies that will take effect in the Corporation's annual consolidated financial statements for the year ending October 27, 2019 or after could result in a restatement of these condensed interim consolidated financial statements.

New accounting policies

- **Revenue from Contracts with Customers**
  The Corporation adopted IFRS 15 "Revenue from Contracts with Customers" as at October 29, 2018 using the modified retrospective method, without restatement of comparative figures. IFRS 15 replaces 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. IFRS 15 requires the disclosure of additional information on disaggregated revenues. Consequently, the Corporation now discloses additional information on a quarterly basis in Note 3.

  The adoption of IFRS 15 had no material impact on the Corporation's condensed interim consolidated financial statements and the consolidated statement of financial position as at the adoption date.

  As a result of adopting IFRS 15, the Corporation updated its accounting policies for revenues as described below.

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

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

  In the Packaging Sector and the Printing Sector, revenues are recognized as follows:
  - Packaging products
    Revenues are recognized when control over the products is transferred to the customer, which is usually when the products are shipped or delivered in accordance with the customer agreement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting policies (continued)

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

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

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

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

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

  Critical judgment in applying IFRS 15:

  - Revenue recognition method
    Judgment is required to determine whether revenues should be recognized over time or at a point in time. The Corporation evaluates contracts with customers for whom it manufactures packaging products or to whom it provides custom printing services to determine whether the contract confers upon the Corporation an enforceable right to payment, in which case revenues should be recognized over time rather than at a point in time. For the three-month and nine-month periods ended July 28, 2019, no significant contract met the criteria for recognition over time.

- **Financial instruments**
  The Corporation applied IFRS 9 "Financial Instruments" for the fiscal year beginning October 29, 2018 using the retrospective method, and elected to not restate comparative figures for the prior year, as permitted by the standard, except for the changes to hedge accounting described below, which were applied prospectively. The adoption of IFRS 9 had no significant impact on the carrying amount of the Corporation's financial instruments as at October 29, 2018.

  IFRS 9 sets out new requirements for:
  - the classification and measurement of financial assets and financial liabilities;
  - the impairment of financial assets; and
  - general hedge accounting.

  Classification and measurement of financial assets and financial liabilities
  IFRS 9 replaces the classification and measurement models in IAS 39 "Financial Instruments: Recognition and Measurement" with a single model under which financial assets are classified and measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss. This classification is based on the Corporation's business model for managing financial assets and the contractual cash flow characteristics of financial assets, and it eliminates the "Held to maturity", "Loans and receivables" and "Available for sale" categories defined in IAS 39. However, except for the impairment model, the adoption of IFRS 9 did not change the measurement basis for the Corporation's financial assets. IFRS 9 carries forward most of the classification and measurement requirements for financial liabilities in IAS 39.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting policies (continued)

- **Financial instruments (continued)**
  Financial assets and liabilities are now classified and subsequently measured as follows:

	Model under IAS 39		Model under IFRS 9	
	Category	Measurement model	Category	Measurement model
Cash and cash equivalents	Loans and receivables	Amortized cost at the effective interest rate	Amortized cost	Amortized cost at the effective interest rate
Accounts receivable and other receivables	Loans and receivables	Amortized cost at the effective interest rate	Amortized cost	Amortized cost at the effective interest rate
Accounts payable, accrued liabilities and other financial liabilities	Other financial liabilities	Amortized cost at the effective interest rate	Amortized cost	Amortized cost at the effective interest rate
Contingent consideration	Fair value through profit or loss	Fair value	Fair value through profit or loss	Fair value
Long-term debt	Other financial liabilities	Amortized cost at the effective interest rate	Amortized cost	Amortized cost at the effective interest rate
Derivative financial instruments	Held for trading	Fair value	Fair value through profit or loss	Fair value

  Impairment of financial assets
  With respect to impairment of financial assets, IFRS 9 requires applying the expected credit losses model instead of the incurred credit losses model set out in IAS 39. Under the expected credit losses model, the Corporation must recognize expected credit losses and changes in such losses at each reporting date to reflect changes in credit risk since the initial recognition of the financial assets. For accounts receivable, the Corporation has applied the simplified approach permitted by IFRS 9, under which lifetime expected credit losses must be recognized upon initial recognition. For loans classified under "other receivables", the Corporation measures credit risk based on the 12-month expected credit risk if there has not been a significant increase in credit risk since initial recognition. Although cash and cash equivalents and other receivables are subject to the IFRS 9 impairment requirements, the expected credit losses identified were not significant.

  Hedge accounting
  The new general hedge accounting requirements retain the three types of hedge accounting, namely cash flow hedges, fair value hedges and hedges of net investments in foreign operations. However, these transactions qualifying for hedge accounting are subject to greater flexibility, in particular as a result of the broadening of the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are qualifying for hedge accounting. In addition, the effectiveness test was replaced with the "economic relationship" principle. The retrospective assessment of hedge effectiveness is no longer required. Enhanced annual disclosures on the Corporation's risk management activities are also required.

  In accordance with the transitional provisions of IFRS 9 for hedge accounting, the Corporation applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application, without restatement of comparative figures for the corresponding period. The Corporation's qualifying hedging relationships in place as at October 28, 2018 are also qualifying for hedge accounting under IFRS 9 and are therefore considered continuing hedging relationships. As the critical terms of hedging instruments match those of hedged items, all hedging relationships continue to be effective under the assessment to determine whether the IFRS 9 hedge effectiveness requirements are met. The Corporation has not designated any hedging relationships under IFRS 9 that would not have met the criteria to qualify for hedge accounting under IAS 39.

- **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" and 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. The Corporation applied these amendments as of October 29, 2018 to awards granted on or after that date and to unvested and vested but unexercised awards outstanding at that date. The amendments were applied prospectively. The adoption of these amendments had no impact on the consolidated interim financial statements for the three-month and nine-month periods ended July 28, 2019.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New or amended accounting standards not yet adopted

- **IFRS 16, 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. The Corporation expects that the adoption of IFRS 16 will result in an increase in assets and liabilities in the statement of financial position due to the recognition of a right-of-use asset and an offsetting liability representing the obligation to make lease payments. A portion of lease expenses previously reported as operating expenses will be reported as depreciation expense and financial expenses, which will represent a significant change in the presentation and timing of recognition of expenses in the Consolidated Statement of Earnings.

  IFRS 16 will be applicable to the Corporation for the annual period beginning on October 28, 2019. The Corporation expects to adopt the standard using the modified retrospective method without restatement of comparative figures. The various optional exemptions permitted by IFRS 16 upon its adoption are currently being reviewed.

  As at July 28, 2019, the Corporation had selected an IT solution for the recognition and measurement of leases that will be subject to this standard. This IT solution is currently being implemented.

  The Corporation is currently analyzing the overall impact of adopting IFRS 16 on its consolidated financial statements, after having completed the review of all its leases that are within the scope of the standard. The extent of the impact of the adoption of the standard on the consolidated financial statements has not yet been finalized by the Corporation, but should be by the end of the year ending October 27, 2019.

- **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. 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 plans 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. 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.

  On initial application, an entity must apply IFRIC 23:
  - retrospectively in accordance with IAS 8, if that is possible without the use of hindsight; or
  - retrospectively, with the cumulative effect of initial application recognized in retained earnings or other appropriate components of equity in the opening statement of financial position for the year, without restatement of comparative figures.

  The Corporation plans 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.

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

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, the Corporation's operating segments have been modified and have been since then aggregated by management into three separate sectors: Packaging, Printing and Media, which is presented in Other. 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 coatings. Its facilities are mainly located in the United States, Canada and Latin America.

The Printing Sector generates revenues from an integrated service offering to retailers, including flyers and in-store marketing products printing, premedia and door-to-door distribution services, as well as a range 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:

For the three-month period ended July 28, 2019	Packaging	Printing	Other	Consolidated Results
Revenues	**$ 395.0**	**$ 310.5**	**$ 23.4**	**$ 728.9**
Operating expenses	**343.0**	**251.7**	**21.3**	**616.0**
Restructuring and other costs	**2.2**	**2.6**	**0.9**	**5.7**
Operating earnings before depreciation and amortization	**49.8**	**56.2**	**1.2**	**107.2**
Depreciation and amortization	**35.1**	**13.2**	**2.3**	**50.6**
Operating earnings	**$ 14.7**	**$ 43.0**	**$ (1.1)**	**$ 56.6**
Adjusted operating earnings before depreciation and amortization (1)	**$ 52.0**	**$ 58.8**	**$ 2.1**	**$ 112.9**
Adjusted operating earnings (1)	**34.1**	**46.8**	**—**	**80.9**
Acquisitions of non-current assets (2)	**$ 15.6**	**$ 9.4**	**$ 1.9**	**$ 26.9**

For the three-month period ended July 29, 2018	Packaging	Printing	Other	Consolidated Results
Revenues	$ 400.2	$ 334.2	$ 23.5	$ 757.9
Operating expenses	360.9	262.7	27.4	651.0
Restructuring and other costs	6.4	0.9	7.0	14.3
Impairment of assets	—	2.9	—	2.9
Operating earnings before depreciation and amortization	32.9	67.7	(10.9)	89.7
Depreciation and amortization	33.8	13.7	2.6	50.1
Operating earnings	$ (0.9)	$ 54.0	$ (13.5)	$ 39.6
Adjusted operating earnings before depreciation and amortization (1)	$ 48.9	$ 71.5	$ (4.0)	$ 116.4
Adjusted operating earnings (1)	32.3	$ 58.7	(6.4)	84.6
Acquisitions of non-current assets (2)	$ 12.7	$ 13.5	$ 3.5	$ 29.7

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

3 SEGMENTED INFORMATION (CONTINUED)

For the nine-month period ended July 28, 2019	Packaging	Printing	Other	Consolidated Results
Revenues	**$ 1,209.1**	**$ 980.8**	**$ 58.0**	**$ 2,247.9**
Operating expenses	**1,058.6**	**791.9**	**60.7**	**1,911.2**
Restructuring and other costs	**5.6**	**19.9**	**6.1**	**31.6**
Impairment of assets	**—**	**0.5**	**—**	**0.5**
Operating earnings before depreciation and amortization	**144.9**	**168.5**	**(8.8)**	**304.6**
Depreciation and amortization	**104.9**	**39.5**	**6.9**	**151.3**
Operating earnings	**$ 40.0**	**$ 129.0**	**$ (15.7)**	**$ 153.3**
Adjusted operating earnings before depreciation and amortization (1)	**$ 150.5**	**$ 188.9**	**$ (2.7)**	**$ 336.7**
Adjusted operating earnings (1)	**97.4**	**152.9**	**(9.1)**	**241.2**
Acquisitions of non-current assets (2)	**$ 53.2**	**$ 22.5**	**$ 16.1**	**$ 91.8**

For the nine-month period ended July 29, 2018	Packaging	Printing	Other	Consolidated Results
Revenues	$ 559.0	$ 1,165.5	$ 69.8	$ 1,794.3
Operating expenses	502.0	823.4	79.1	1,404.5
Restructuring and other costs (gains)	6.5	6.7	(13.2)	—
Impairment of assets	—	3.5	3.1	6.6
Operating earnings before depreciation and amortization	50.5	331.9	0.8	383.2
Depreciation and amortization	45.4	67.5	8.1	121.0
Operating earnings	$ 5.1	$ 264.4	$ (7.3)	$ 262.2
Adjusted operating earnings before depreciation and amortization (1)	$ 66.6	$ 240.0	$ (9.4)	$ 297.2
Adjusted operating earnings (1)	45.0	197.3	(17.0)	225.3
Acquisitions of non-current assets (2)	$ 18.7	$ 24.9	$ 11.7	$ 55.3

(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 arising from 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 (only for adjusted operating earnings as it relates to amortization of intangible assets arising from business combinations and accelerated depreciation of equipments).

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

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

3 SEGMENTED INFORMATION (CONTINUED)

Additional information on revenues

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

	Three months ended		Nine months ended	
	July 28, 2019	July 29, 2018	**July 28, 2019**	July 29, 2018
Packaging products				
Americas	**$ 367.9**	$ 375.1	**$ 1,127.5**	$ 533.9
Rest of the world	**27.1**	25.1	**81.6**	25.1
	395.0	400.2	**1,209.1**	559.0
Printing services (1)				
Retailer-related services (2)	**196.9**	212.0	**622.0**	651.2
Marketing products	**31.3**	31.2	**101.4**	108.6
Magazines and books	**50.5**	53.4	**161.8**	160.9
Newspapers	**31.8**	37.6	**95.6**	244.8
	310.5	334.2	**980.8**	1,165.5
Media (1)	**26.2**	27.0	**64.6**	81.4
Inter-segment sales	**(2.8)**	(3.5)	**(6.6)**	(11.6)
	$ 728.9	$ 757.9	**$ 2,247.9**	$ 1,794.3

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

	As at July 28, 2019	As at October 28, 2018
Packaging	**$ 2,481.0**	$ 2,524.5
Printing	**951.0**	1,052.9
Other (3)	**223.6**	204.8
	$ 3,655.6	$ 3,782.2

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

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

(3) This heading notably includes cash, income taxes receivable, property, plant and equipment, intangible assets, deferred taxes and defined benefit asset not allocated to segments.

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

4 BUSINESS COMBINATIONS

Coveris Americas
On May 1, 2018, the Corporation completed the acquisition of Coveris Americas. During the nine-month period ended July 28, 2019, the Corporation finalized the purchase price allocation, as well as its accounting, without any material impact.

5 OPERATING EXPENSES

Operating expenses by major headings are as follows:

	Three months ended		Nine months ended	
	July 28, 2019	July 29, 2018	**July 28, 2019**	July 29, 2018
Employee-related costs	**$ 190.8**	$ 191.6	**$ 592.4**	$ 460.1
Supply chain and logistics (1)	**387.4**	419.2	**1,216.9**	856.0
Other goods and services (2)	**37.8**	40.2	**101.9**	88.4
	$ 616.0	$ 651.0	**$ 1,911.2**	$ 1,404.5

(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.

6 RESTRUCTURING AND OTHER COSTS

Restructuring and other costs by major headings are as follows:

	Three months ended		Nine months ended	
	July 28, 2019	July 29, 2018	**July 28, 2019**	July 29, 2018
Workforce reductions (1)	**$ 1.9**	$ 1.5	**$ 18.4**	$ 9.4
Losses (gains) related to the sale of certain activities (2)	**—**	(2.3)	**4.3**	(28.6)
Other elements	**2.3**	0.3	**4.5**	2.3
Net gains on sale of buildings	**—**	(1.1)	**—**	(6.5)
Onerous contracts	**0.6**	—	**1.2**	2.1
Business acquisition costs (3)	**0.3**	7.8	**0.5**	13.2
Other acquisition-related costs (4)	**0.6**	8.1	**2.7**	8.1
	$ 5.7	$ 14.3	**$ 31.6**	$ —

(1) Includes a provision for restructuring of $14.3 million for the nine-month period ended July 28, 2019, related to the closure of the Brampton plant.

(2) Includes a provision for other receivables related to previous transactions of $3.9 million for the nine-month period ended July 28, 2019, and $9.4 million for the nine-month period ended July 29, 2018.

(3) Business acquisition costs include transaction costs, primarily legal fees, success fees related to the acquisition and other professional fees, for potential or realized business combinations.

(4) Other acquisition-related costs include integration costs related to acquired companies.

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

7 IMPAIRMENT OF ASSETS

Impairment of assets is as follows:

	Three months ended		Nine months ended	
	July 28, 2019	July 29, 2018	**July 28, 2019**	July 29, 2018
Property, plant and equipment	**$ —**	$ 3.2	**$ 0.4**	$ 3.5
Intangible assets	**—**	(0.3)	**0.1**	3.1
	$ —	$ 2.9	**$ 0.5**	$ 6.6

During the nine-month period ended July 28, 2019, the Corporation recognized an impairment charge for property, plant, equipment and intangible assets of $0.5 million as a result of to the closure of the Brampton plant (Note 6).

During the nine-month period ended July 29, 2018, the Corporation recognized an impairment charge for intangible assets of $3.1 million mainly with respect to costs relating to technology projects in the Media Sector following the sale of its Quebec local and regional newspapers. In addition, during the three-month and nine-month periods ended July 29, 2018, the Corporation recognized an impairment charge for property, plant and equipment of $3.2 million and $3.5 million, respectively, in connection with the closure of one of its facilities following the termination of certain newspapers.

8 DEPRECIATION AND AMORTIZATION

Depreciation and amortization is as follows:

	Three months ended		Nine months ended	
	July 28, 2019	July 29, 2018	**July 28, 2019**	July 29, 2018
Property, plant and equipment and investment properties	**$ 30.3**	$ 30.1	**$ 90.6**	$ 88.7
Intangible assets	**20.3**	20.0	**60.7**	32.3
	50.6	50.1	**151.3**	121.0
Intangible assets and other assets, recognized in revenues and operating expenses	**5.4**	6.0	**16.1**	18.6
	$ 56.0	$ 56.1	**$ 167.4**	$ 139.6

9 NET FINANCIAL EXPENSES

Net financial expenses are as follows:

		Three months ended		Nine months ended	
	Note	**July 28, 2019**	July 29, 2018	**July 28, 2019**	July 29, 2018
Financial expenses on long-term debt	11	**$ 14.8**	$ 15.0	**$ 46.6**	$ 23.8
Net interest on defined benefit plans asset and liability		**0.6**	0.4	**1.9**	1.3
Other expenses (revenues)		**0.9**	0.9	**2.0**	(1.8)
Net foreign exchange gains		**—**	(1.8)	**(0.3)**	(2.8)
		$ 16.3	$ 14.5	**$ 50.2**	$ 20.5

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

10 INCOME TAXES

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

	Three months ended		Nine months ended	
	July 28, 2019	July 29, 2018	**July 28, 2019**	July 29, 2018
Earnings before income taxes	**$ 40.3**	$ 25.1	**$ 103.1**	$ 241.7
Canadian statutory tax rate (1)	**26.62 %**	26.72 %	**26.62 %**	26.72 %
Income taxes at the statutory tax rate	**10.7**	6.7	**27.4**	64.6
Effect of differences in tax rates in other jurisdictions	**(2.6)**	(1.3)	**(8.5)**	(2.7)
Income taxes on non-deductible expenses and non-taxable revenues	**(0.4)**	0.8	**2.0**	(0.6)
Change in deferred tax assets on tax losses or temporary differences not previously recognized	**0.6**	(0.3)	**0.3**	(2.1)
Impact of the U.S. tax reform (2)	**30.2**	—	**30.2**	36.6
Other	**(1.6)**	(0.1)	**(2.1)**	(0.5)
Income taxes at effective tax rate	**$ 36.9**	$ 5.8	**$ 49.3**	$ 95.3

Income taxes before the following items:	**$ 12.4**	$ 18.0	**$ 40.7**	$ 52.4
Impact of the U.S. tax reform (2)	**30.2**	—	**30.2**	36.6
Income taxes on amortization of intangible assets arising from business combinations	**(4.5)**	(4.8)	**(13.7)**	(7.1)
Income taxes on reversal of the fair value adjustment of inventory sold arising from business acquisitions	**—**	(2.3)	**—**	(2.3)
Income taxes on accelerated recognition of deferred revenues and accelerated depreciation of equipments as part of the agreement with Hearst	**—**	—	**—**	21.0
Income taxes on restructuring and other gains	**(1.2)**	(4.3)	**(7.8)**	(3.6)
Income taxes on impairment of assets	**—**	(0.8)	**(0.1)**	(1.7)
Income taxes at effective tax rate	**$ 36.9**	$ 5.8	**$ 49.3**	$ 95.3

(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, a U.S. tax reform (known as "Tax Cuts and Jobs Act") was enacted. The reform reduced the U.S. federal statutory corporate tax rate from a progressive tax rate of up to 35% to a fixed rate of 21% effective January 1, 2018. During the nine-month period ended July 29, 2018, this decrease reduced previously recognized deferred tax assets by $36.6 million. This deferred tax expense was calculated considering the estimated enacted tax rate upon reversal of temporary differences.

The Corporation's U.S. income tax provision for the three-month and nine-month periods ended July 28, 2019, as well as the resulting tax assets and liabilities, have been determined based on the Internal Revenue Code and related regulations currently in force. The U.S. Treasury Department, the Internal Revenue Service ("IRS") and other standard-setting bodies will eventually issue guidelines (which could potentially apply retroactively) on how the provisions of the Act will be applied or administered. These guidelines could lead to an interpretation that is very different from ours. As these guidelines are issued by the IRS or any other standard-setting bodies, we will be able to re-analyze the relevant data and potentially have to adjust recorded amounts. These adjustments could affect our financial position, operating results and effective tax rate in the period in which they are made. During the three-month period ended July 28, 2019, a new guideline was adopted. The retroactive application of this guideline reduced previously recognized deferred tax assets by $30.2 million.

11 LONG-TERM DEBT

Issuance of term loans and repayment of senior unsecured notes
During the nine-month period ended July 28, 2019, the Corporation entered into an agreement to issue two new tranches G and H of term loans, each amounting to $150.0 million. These new tranches bear interest at the bankers' acceptance rate plus an applicable margin of 1.20% to 1.45%, payable monthly or quarterly depending on the rate selected, are repayable at any time and have a maturity of 24 and 36 months, depending on the tranche. Issuance costs totalling $0.5 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.

On May 13, 2019, the Corporation repaid the senior unsecured notes amounting to $250.0 million that matured on that same date with a portion of the funds available under the tranches G and H of term loans issued during the nine-month period ended July 28, 2019.

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

11 LONG-TERM DEBT (CONTINUED)

Credit facilities

On January 23, 2019, the Corporation extended the maturity of its credit facility (the "Existing Credit Facilities") with an available amount of $400.0 million or the U.S dollar equivalent, by one additional year, until February 2024, on the same terms. The Existing Credit Facilities bear interest at a rate based on the credit rating assigned to the Corporation. According to the current credit rating, the rate is either the bankers' acceptance rate or LIBOR, plus 1.675%, or the Canadian prime rate or U.S. base rate, plus 0.675%.

During the nine-month period ended July 28, 2019, the Corporation entered into an agreement for a new credit facility with a maximum amount of US$25.0 million, bearing interest at LIBOR plus a margin of 1.10% and maturing in March 2020.

As at July 28, 2019, an amount of $7.2 million had been drawn on the credit facilities, and the unused amount under the credit facilities was $425.7 million.

Hedging instruments

As at July 28, 2019, an amount of US$95.0 million ($127.0 million) of the term loans and Existing Credit Facilities denominated in U.S. dollars had been designated by the Corporation as hedging instruments of its net investments in foreign operations. Consequently, during the three-month and nine-month periods ended July 28, 2019, foreign exchange gains and losses of $2.8 million and $4.6 million, respectively, were reclassified to other comprehensive income.

During the three-month and nine-month periods ended July 28, 2019, the Corporation entered into interest rate swaps as a hedge against risks related to future fluctuations of interest rates for an amount of US$75.0 million and US$450.0 million, respectively, of certain of its term loans until their respective maturities. The Corporation applies cash flow hedge accounting by designating these swaps as hedging instruments. Consequently, during the three-month and nine-month periods ended July 28, 2019, the change in fair value of these hedging instruments, amounting to $7.4 million and $12.0 million, respectively, was recognized in other comprehensive income.

The Corporation must comply with certain restrictive covenants, including maintaining certain financial ratios. During the three-month and nine-month periods ended July 28, 2019, the Corporation has not been in default under any covenants.

12 OTHER LIABILITIES

The components of other liabilities are as follows:

	Note	**As at July 28, 2019**	As at October 28, 2018
Deferred revenues		**$ 17.1**	$ 21.8
Accrued liabilities and other liabilities		**24.2**	24.4
Stock-based compensation	15	**8.1**	11.0
Defined benefit liability		**70.9**	63.0
Derivative financial instruments		**0.4**	0.1
		$ 120.7	$ 120.3

13 SHARE CAPITAL

The following table presents changes in the Corporation's share capital for the nine-month period ended July 28, 2019:

	Number of shares	Amount
Class A Subordinate Voting Shares		
Balance as at October 28, 2018	73,359,454	$ 623.4
Conversion of Class B Shares into Class A Subordinate Voting Shares	—	—
Income taxes on share issuance costs	—	(0.5)
Balance as at July 28, 2019	73,359,454	622.9
Class B Shares		
Balance as at October 28, 2018	13,980,926	19.0
Conversion of Class B Shares into Class A Subordinate Voting Shares	—	—
Balance as at July 28, 2019	13,980,926	19.0
	87,340,380	$ 641.9

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.

During the nine-month period ended July 28, 2019, the Corporation did not repurchase any of its Class A Subordinate Voting Shares. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at July 28, 2019.

During the nine-month period ended July 29, 2018, the Corporation repurchased and cancelled 529,610 of its Class A Subordinate Voting Shares at a weighted average price of $24.50, for a total cash consideration of $12.9 million. The excess of the total consideration paid over the carrying amount of the shares, in the amount of $10.0 million, was applied against retained earnings. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at July 29, 2018.

Dividends
Dividends of $0.22 and $0.21 per share were declared and paid to holders of shares for the three-month periods ended July 28, 2019 and July 29, 2018, respectively. Dividends of $0.65 and $0.62 per share were declared and paid to holders of shares for the nine-month periods ended July 28, 2019 and July 29, 2018, respectively.

14 NET EARNINGS PER SHARE

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

	Three months ended		Nine months ended	
	July 28, 2019	July 29, 2018	**July 28, 2019**	July 29, 2018
Numerator				
Net earnings	**$ 3.4**	$ 19.3	**$ 53.8**	$ 146.4
Denominator (in millions)				
Weighted average number of shares outstanding - basic	**87.3**	87.6	**87.3**	80.7
Dilutive effect of stock options	**0.1**	0.1	**0.1**	0.1
Weighted average number of shares - diluted	**87.4**	87.7	**87.4**	80.8

As at July 28, 2019 and July 29, 2018, all stock options are included in the calculation of the diluted net earnings per share due to their potential dilutive effect.

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

15 STOCK-BASED COMPENSATION

Share unit plan for certain officers and senior executives

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

The following table presents the changes in the plan's status for the nine-month period ended July 28, 2019:

	Number of units	
	DSU	RSU
Balance as at October 28, 2018	308,035	894,900
Units granted	123,008	396,732
Units cancelled	(1,605)	(32,077)
Units paid	—	(354,835)
Dividends paid in units	14,931	31,341
Balance as at July 28, 2019	444,369	936,061

As at July 28, 2019, the liability related to the share unit plan for certain officers and senior executives was $11.6 million ($18.1 million as at October 28, 2018). The expenses recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 28, 2019 were $0.7 million and $0.8 million, respectively. The expenses recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 29, 2018 were 5.0 million and $9.1 million, respectively. An amount of $7.3 million was paid under this plan for the three-month and nine-month periods ended July 28, 2019. An amount of $9.9 million was paid under this plan for the nine-month period ended July 29, 2018.

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 nine-month period ended July 28, 2019:

	Number of units
Balance as at October 28, 2018	249,268
Directors' compensation	37,431
Units paid	(20,903)
Dividends paid in units	9,488
Balance as at July 28, 2019	275,284

As at July 28, 2019, the liability related to the share unit plan for directors was $4.2 million ($5.4 million as at October 28, 2018). The expense (gain) recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 28, 2019 were nil and $(0.5) million, respectively. The expenses recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 29, 2018 were $1.0 million and $1.4 million, respectively. Amounts of $0.1 million and $0.7 million were paid under this plan for the three-month and nine-month periods ended July 28, 2019, respectively. An amount of $1.5 million was paid under this plan for the nine-month period ended July 29, 2018.

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

16 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Cash flow hedges	Net investment hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive income (loss)
Balance as at October 28, 2018	**$ 0.2**	**$ 2.4**	**$ 33.1**	**$ (24.9)**	**$ 10.8**
Net change in gains (losses), net of income taxes	**(8.7)**	**(0.6)**	**5.6**	**(5.2)**	**(8.9)**
Balance as at July 28, 2019	**$ (8.5)**	**$ 1.8**	**$ 38.7**	**$ (30.1)**	**$ 1.9**
Balance as at October 29, 2017	$ 1.0	$ 2.9	$ 18.8	$ (28.2)	$ (5.5)
Net change in gains (losses), net of income taxes	(1.0)	(0.4)	12.8	6.2	17.6
Balance as at July 29, 2018	$ —	$ 2.5	$ 31.6	$ (22.0)	$ 12.1

As at July 28, 2019, the amounts expected to be reclassified to net earnings in future years are as follows:

	2019	2020 and later	Total
Net change in the fair value of derivatives designated as cash flow hedges	$ 0.2	$ (11.8)	$ (11.6)
Income taxes	—	(3.1)	(3.1)
	$ 0.2	$ (8.7)	$ (8.5)

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

	Three months ended		Nine months ended	
	July 28, 2019	July 29, 2018	**July 28, 2019**	July 29, 2018
Actuarial gains (losses) on obligation - change in discount rate	**$ (31.2)**	$ (0.2)	**$ (86.9)**	$ 10.1
Actuarial gains (losses) on plan assets - excluding interest income	**32.6**	9.3	**80.6**	(1.5)
Effect of the asset ceiling	**(0.9)**	(0.4)	**(0.9)**	0.2
	$ 0.5	$ 8.7	**$ (7.2)**	$ 8.8

Actuarial losses on obligation recognized in the Statements of Comprehensive Income for the nine-month period ended July 28, 2019 are explained by the change in the discount rate, which decreased from 3.9% as at October 28, 2018 to 3.0% as at July 28, 2019 in Canada, and from 4.25% as at October 28, 2018 to 3.60% as at July 28, 2019 in the United States. Actuarial gains on plan assets are attributable to the fact that actual rates of return on assets were overall greater than expected returns for the three-month and nine-month periods ended July 28, 2019.

Actuarial gains on obligation recognized in Statements of Comprehensive Income for the three-month and nine-month periods ended July 29, 2018 are explained by the change in the discount rate, which increased from 3.6% as at October 29, 2017 to 3.7% as at July 29, 2018 in Canada, and remained constant at 4.25% between May 1, 2018 and July 29, 2018 in the United States. Actuarial gains (losses) on plan assets are due to actual rates of return on assets that were greater than expected for the three-month period ended July 29, 2018 and overall lower than expected for the nine-month period ended July 29, 2018.

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

17 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	As at July 28, 2019		As at October 28, 2018	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Foreign exchange forward contracts in assets	**$ 1.4**	**$ 1.4**	$ 1.7	$ 1.7
Contingent considerations	**(16.1)**	**(16.1)**	(15.6)	(15.6)
Long-term debt	**(1,452.5)**	**(1,393.7)**	(1,472.6)	(1,461.0)
Interest rate swap contracts in liabilities	**(12.0)**	**(12.0)**	—	—
Foreign exchange forward contracts in liabilities	**(1.0)**	**(1.0)**	(0.7)	(0.7)

These financial instruments are classified in Level 2 of the fair value hierarchy, except for contingent considerations payable with respect to business combinations, which are classified in Level 3. During the nine-month period ended July 28, 2019, no financial instruments were transferred between Levels 1, 2 and 3.

Sensitivity analysis of the Level 3 financial instruments
As at July 28, 2019, 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 $6.1 million. A 10% decrease in expected financial performance thresholds would have resulted in an increase in net earnings of $8.1 million.

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

	July 28, 2019
Balance, beginning of period	**$ (15.6)**
Change included in net earnings	**(0.4)**
Exchange rate change	**(0.1)**
Balance, end of period	**$ (16.1)**

18 SUBSEQUENT EVENTS

Sale of Fremont building

On September 3, 2019, the Corporation announced the sale of its Fremont, California building to Hearst for a cash consideration of US$75.0 million ($99.7 million). The Corporation had already transferred to Hearst the printing operations of its Fremont, California facility in April 2018.

The pending transaction is subject to customary closing conditions and is expected to close during the fourth quarter of the year ending October 27, 2019.

As at July 28, 2019, based on the status of negotiations between the Corporation and Hearst, the building, which was previously presented as an Investment property, was reclassified to Assets available for sale for an amount equal to its net book value of $55.2 million.