CONSOLIDATED STATEMENTS OF EARNINGS

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

			Three months ended		
	Notes		**January 29, 2023**		January 30, 2022
Revenues	3	**$**	**707.0**	$	690.6
Operating expenses	5		**622.9**		601.6
Restructuring and other costs (revenues)	6		**8.2**		(1.7)
Operating earnings before depreciation and amortization			**75.9**		90.7
Depreciation and amortization	7		**60.9**		56.9
Operating earnings			**15.0**		33.8
Net financial expenses	8		**16.7**		9.8
(Loss) earnings before income taxes			**(1.7)**		24.0
(Recovery of) income taxes	9		**(2.9)**		5.7
Net earnings			**1.2**		18.3
Non-controlling interest			**0.2**		(0.1)
Net earnings attributable to the shareholders of the Corporation		**$**	**1.0**	$	18.4
Net earnings attributable to shareholders of the Corporation per share - basic and diluted		**$**	**0.01**	$	0.21
Weighted average number of shares outstanding - basic and diluted (in millions)	12		**86.6**		86.9

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

Unaudited
(in millions of Canadian dollars)

		Three months ended	
	Notes	**January 29, 2023**	January 30, 2022
Net earnings		**$ 1.2**	$ 18.3
Other comprehensive (loss) income			
Items that may be subsequently reclassified to net earnings			
Net change related to cash flow hedges			
Net change in the fair value of designated derivatives - foreign exchange risk		**6.4**	(3.6)
Net change in the fair value of designated derivatives - interest rate risk		**0.2**	0.8
Reclassification of the net change in the fair value of designated derivatives recognized in net earnings during the period		**2.8**	0.9
Related income taxes		**2.5**	(0.5)
	14	**6.9**	(1.4)
Cumulative translation differences			
Net unrealized exchange (losses) gains on the translation of the financial statements of foreign operations		**(24.3)**	44.6
Net gains (losses) on hedge of the net investment in foreign operations		**9.7**	(12.9)
Related income taxes		**1.7**	(1.3)
	14	**(16.3)**	33.0
Items that will not be reclassified to net earnings			
Changes related to defined benefit plans			
Actuarial (losses) gains on defined benefit plans		**(5.2)**	4.7
Related income taxes		**(1.4)**	1.3
	14	**(3.8)**	3.4
Other comprehensive (loss) income	14	**(13.2)**	35.0
Comprehensive (loss) income		**$ (12.0)**	$ 53.3

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited
(in millions of Canadian dollars)

	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	Total equity
Balance as at October 30, 2022		**$ 636.6**	**$ 0.9**	**$ 1,219.0**	**$ 20.7**	**$ 1,877.2**	**$ 4.8**	**$ 1,882.0**
Net earnings		**—**	**—**	**1.0**	**—**	**1.0**	**0.2**	**1.2**
Other comprehensive loss	14	**—**	**—**	**—**	**(13.2)**	**(13.2)**	**—**	**(13.2)**
Shareholders' contributions and distributions to shareholders								
Dividends	12	**—**	**—**	**(19.5)**	**—**	**(19.5)**	**—**	**(19.5)**
Balance as at January 29, 2023		**$ 636.6**	**$ 0.9**	**$ 1,200.5**	**$ 7.5**	**$ 1,845.5**	**$ 5.0**	**$ 1,850.5**
Balance as at October 31, 2021		$ 640.0	$ 0.9	$ 1,159.5	$ (41.3)	$ 1,759.1	$ 5.2	$ 1,764.3
Net earnings		—	—	18.4	—	18.4	(0.1)	18.3
Other comprehensive income	14	—	—	—	35.0	35.0	—	35.0
Shareholders' contributions and distributions to shareholders								
Share redemptions	12	(1.4)	—	(1.6)	—	(3.0)	—	(3.0)
Dividends	12	—	—	(19.5)	—	(19.5)	—	(19.5)
Balance as at January 30, 2022		$ 638.6	$ 0.9	$ 1,156.8	$ (6.3)	$ 1,790.0	$ 5.1	$ 1,795.1

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 January 29, 2023	As at October 30, 2022
Current assets			
Cash		$ 25.2	$ 45.7
Accounts receivable		523.3	575.7
Income taxes receivable		21.2	12.2
Inventories		457.5	479.3
Prepaid expenses and other current assets		20.2	21.8
		1,047.4	1,134.7
Property, plant and equipment		757.2	756.0
Right-of-use assets		132.9	140.8
Intangible assets		500.1	519.6
Goodwill		1,169.7	1,181.7
Deferred taxes		32.0	37.5
Other assets		28.2	30.7
		$ 3,667.5	$ 3,801.0
Current liabilities			
Accounts payable and accrued liabilities		$ 362.2	$ 490.6
Provisions		5.0	1.6
Income taxes payable		13.2	7.0
Deferred revenues and deposits		18.1	11.8
Current portion of long-term debt	10	22.2	10.7
Current portion of lease liabilities		24.3	25.3
		445.0	547.0
Long-term debt	10	1,013.9	979.3
Lease liabilities		128.4	135.0
Deferred taxes		110.1	126.0
Provisions		0.3	0.3
Other liabilities	11	119.3	131.4
		1,817.0	1,919.0
Equity			
Share capital	12	636.6	636.6
Contributed surplus		0.9	0.9
Retained earnings		1,200.5	1,219.0
Accumulated other comprehensive income	14	7.5	20.7
Attributable to shareholders of the Corporation		1,845.5	1,877.2
Non-controlling interests		5.0	4.8
		1,850.5	1,882.0
		$ 3,667.5	$ 3,801.0

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited
(in millions of Canadian dollars)

	Notes	Three months ended January 29, 2023	Three months ended January 30, 2022
Operating activities			
Net earnings		**$ 1.2**	$ 18.3
Adjustments to reconcile net earnings and cash flows from operating activities:			
Depreciation and amortization	7	**60.9**	56.9
Financial expenses on long-term debt and lease liabilities	8	**13.4**	10.1
Net losses on disposal of assets		**0.5**	0.2
Income taxes	9	**(2.9)**	5.7
Net foreign exchange differences and other		**3.3**	(3.3)
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		**76.4**	87.9
Changes in non-cash operating items		**(51.8)**	(64.9)
Income taxes paid		**(12.6)**	(29.4)
Cash flows from operating activities		**12.0**	(6.4)
Investing activities			
Business combinations, net of acquired cash		**(0.3)**	(45.7)
Acquisitions of property, plant and equipment		**(43.9)**	(28.1)
Increase in intangible assets		**(7.3)**	(6.1)
Cash flows from investing activities		**(51.5)**	(79.9)
Financing activities			
Reimbursement of long-term debt		**(0.7)**	(186.7)
Net increase in credit facilities		**55.4**	103.5
Financial expenses paid on long-term debt and credit facilities		**(9.4)**	(10.2)
Repayment of principal on lease liabilities		**(6.1)**	(6.5)
Interest paid on lease liabilities		**(0.8)**	(0.5)
Dividends	12	**(19.5)**	(19.5)
Share redemptions	12	**—**	(3.0)
Cash flows from financing activities		**18.9**	(122.9)
Effect of exchange rate changes on cash denominated in foreign currencies		**0.1**	1.1
Net change in cash		**(20.5)**	(208.1)
Cash at beginning of period		**45.7**	231.1
Cash at end of period		**$ 25.2**	$ 23.0
Non-cash investing activities			
Net change in capital asset acquisitions financed by accounts payable		**$ 0.5**	$ 3.3

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 and the United Kingdom in three separate sectors: the Packaging Sector, the Printing Sector and the Media Sector. The Corporation's main activities are described in Note 3 "Segmented Information".

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

The Corporation's Board of Directors approved these condensed interim consolidated financial statements on March 8, 2023.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These condensed interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). In particular, these interim consolidated financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting", and therefore, are condensed consolidated financial statements since they do not contain all disclosures required by IFRS for annual consolidated financial statements. These condensed interim consolidated financial statements were prepared using the same accounting policies than those used in the audited annual consolidated financial statements for the year ended October 30, 2022 and should be read in conjunction with them.

3 SEGMENTED INFORMATION

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

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

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

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

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

3 SEGMENTED INFORMATION (CONTINUED)

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

For the three-month period ended January 29, 2023	Packaging	Printing	Other	Consolidated results
Revenues	**$ 405.7**	**$ 286.2**	**$ 15.1**	**$ 707.0**
Operating expenses	**359.1**	**245.6**	**18.2**	**622.9**
Restructuring and other costs	**4.0**	**3.2**	**1.0**	**8.2**
Operating earnings before depreciation and amortization	**42.6**	**37.4**	**(4.1)**	**75.9**
Depreciation and amortization	**38.4**	**15.4**	**7.1**	**60.9**
Operating earnings (1)	**$ 4.2**	**$ 22.0**	**$ (11.2)**	**$ 15.0**
Adjusted operating earnings before depreciation and amortization (2)	**$ 46.6**	**$ 40.6**	**$ (3.1)**	**$ 84.1**
Adjusted operating earnings (1) & (2)	**24.2**	**27.3**	**(9.7)**	**41.8**
Amortization of intangible assets arising from business combinations (2)	**16.0**	**2.1**	**0.5**	**18.6**
Acquisitions of non-current assets (3)	**32.6**	**12.0**	**7.2**	**51.8**

For the three-month period ended January 30, 2022	Packaging	Printing	Other	Consolidated results
Revenues	$ 384.0	$ 295.4	$ 11.2	$ 690.6
Operating expenses	345.1	238.6	17.9	601.6
Restructuring and other costs (revenues)	(2.9)	1.0	0.2	(1.7)
Operating earnings before depreciation and amortization	41.8	55.8	(6.9)	90.7
Depreciation and amortization	35.8	16.5	4.6	56.9
Operating earnings (1)	$ 6.0	$ 39.3	$ (11.5)	$ 33.8
Adjusted operating earnings before depreciation and amortization (2)	$ 38.9	$ 56.8	$ (6.7)	$ 89.0
Adjusted operating earnings (1) & (2)	18.3	42.3	(11.3)	49.3
Amortization of intangible assets arising from business combinations (2)	15.2	2.0	—	17.2
Acquisitions of non-current assets (3)	23.4	4.9	5.9	34.2

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

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

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

(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 by sector disaggregated by type of products and geographical area:

	Three months ended	
	January 29, 2023	January 30, 2022
Packaging products [1]		
Revenues generated from plants located in Canada	**$ 33.8**	$ 35.2
Revenues generated from plants located in the United States	**290.8**	268.0
Revenues generated from plants located outside Canada and the United States	**81.1**	80.8
	405.7	384.0
Printing services [2]		
Retailer-related services [3]	**143.4**	150.5
Marketing products	**70.1**	78.9
Magazines and books	**51.0**	44.5
Newspapers	**21.7**	21.5
	286.2	295.4
Media [2]	**18.5**	14.4
Inter-sector sales	**(3.4)**	(3.2)
	$ 707.0	$ 690.6

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

	As at January 29, 2023	As at October 30, 2022
Packaging	**$ 2,422.8**	$ 2,476.0
Printing	**957.4**	1,020.3
Other [4]	**287.3**	304.7
	$ 3,667.5	$ 3,801.0

[1] An amount of $27.0 million of intercompany sales has been reclassified in the revenues generated from plants located outside of Canada and the United States. These revenues were previously presented within revenues generated from plants located in Canada and in the United States.

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

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

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

4 BUSINESS COMBINATION

As at January 29, 2023, the Corporation finalized the preliminary accounting of the purchase price allocation for the acquisition of Scolab Inc., which was completed on March 14, 2022. The finalization of the purchase price allocation did not give rise to any material change compared to the preliminary allocation.

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

5 OPERATING EXPENSES

	Three months ended	
	January 29, 2023	January 30, 2022
Employee-related costs	$ **200.1**	$ 186.5
Supply chain and logistics [1]	**388.9**	383.7
Other goods and services [2]	**33.9**	31.4
	$ **622.9**	$ 601.6

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

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

6 RESTRUCTURING AND OTHER COSTS (REVENUES)

	Three months ended	
	January 29, 2023	January 30, 2022
Workforce reductions [1]	$ **4.7**	$ 0.8
Business acquisition and integration costs	**1.0**	0.2
Configuration and customization costs in cloud computing arrangements	**1.0**	—
Other elements	**1.5**	(2.7)
	$ **8.2**	$ (1.7)

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

7 DEPRECIATION AND AMORTIZATION

	Three months ended	
	January 29, 2023	January 30, 2022
Property, plant and equipment	$ **29.7**	$ 29.3
Right-of-use assets	**6.2**	6.2
Intangible assets	**25.0**	21.4
	$ **60.9**	$ 56.9

8 NET FINANCIAL EXPENSES

	Three months ended	
	January 29, 2023	January 30, 2022
Financial expenses on long-term debt	$ **12.6**	$ 9.3
Interest on lease liabilities	**0.8**	0.8
Net interest on defined benefit asset and liability	**0.8**	0.3
Other expenses	**1.6**	1.1
Net foreign exchange (gains) losses	**0.9**	(1.7)
	$ **16.7**	$ 9.8

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

9 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	
	January 29, 2023	January 30, 2022
Earnings before income taxes	**$ (1.7)**	$ 24.0
Canadian statutory tax rate [1]	**26.50 %**	26.50 %
Income taxes at the statutory tax rate	**(0.5)**	6.4
Effect of differences in tax rates and additional income taxes in other jurisdictions	**(2.5)**	(2.0)
Income taxes on non-deductible expenses and non-taxable revenues	**0.1**	0.4
Change in deferred tax assets on tax losses or temporary differences not previously recognized	**0.2**	—
Adjustment for previous years' balances	**—**	1.0
Other	**(0.2)**	(0.1)
Income taxes at effective tax rate	**$ (2.9)**	$ 5.7
Income taxes before the following items:	**$ 3.8**	$ 9.6
Income taxes on amortization of intangible assets arising from business combinations	**(4.6)**	(4.3)
Income taxes on restructuring and other costs (revenues)	**(2.1)**	0.4
Income taxes at effective tax rate	**$ (2.9)**	$ 5.7

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

10 LONG-TERM DEBT

	Effective interest rate as at January 29, 2023	Maturity	**As at January 29, 2023**	As at October 30, 2022
Unsecured fixed-rate notes (issued in 2021)	2.41 %	2026	**$ 250.0**	$ 250.0
Unsecured fixed-rate notes (issued in 2022)	2.84	2025	**192.1**	190.9
U.S. dollar term loan (issued in 2021)	6.31	2028	**157.3**	161.1
U.S. dollar term loan (extended in 2022)	5.97	2027	**149.7**	153.0
Credit facilities	6.27	2023-2027	**184.5**	132.7
Unified Debenture	4.84	2028	**100.0**	100.0
Other loans		2026-2031	**6.3**	6.5
			$ 1,039.9	$ 994.2
Issuance costs on long-term debt at amortized cost			**(3.8)**	(4.2)
Total long-term debt			**$ 1,036.1**	$ 990.0
Current portion of long-term debt			**$ 22.2**	$ 10.7
Non-current portion of long-term debt			**$ 1,013.9**	$ 979.3

Hedging instruments
During the three-month period ended January 29, 2023, the Corporation entered into an interest rate swap to hedge itself against future interest rates fluctuations for an amount of US$56.3 million of the U.S. dollar term loan (extended in 2022) until it matures in June 2027. The Corporation applies cash flow hedge accounting by designating this swap as a hedging item.

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

10 LONG-TERM DEBT (CONTINUED)

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

The Corporation has another credit facility with a maximum amount of US$25.0 million ($33.3 million), which was maturing in March 2023. On January 30,2023, the maturity was extended for an additional year, until March 2024 with similar terms.The applicable interest rate for this credit facility bears is SOFR plus 1.05%.

As at January 29, 2023, an amount of $184.5 million had been drawn on the credit facilities, of which $20.4 million (US$15.3 million) was reported in current liabilities. As at January 29, 2023, the unused amount under the credit facilities was $248.8 million.

The Corporation must comply with certain restrictive covenants, including maintaining certain financial ratios. During the three-month period ended January 29, 2023, the Corporation has not been in default under any covenants.

11 OTHER LIABILITIES

	Notes	As at January 29, 2023	As at October 30, 2022
Accrued liabilities and other liabilities		**$ 7.7**	$ 7.8
Stock-based compensation	13	**9.9**	10.1
Defined benefit liability		**72.0**	68.7
Derivative financial instruments	15	**29.7**	44.8
		$ 119.3	$ 131.4

12 SHARE CAPITAL

	Number of shares	Amount
Class A Subordinate Voting Shares		
Balance as at October 30, 2022	**72,711,344**	**$ 617.7**
Conversion of Class B Shares into Class A Subordinate Voting Shares	**1,500**	**—**
Balance as at January 29, 2023	**72,712,844**	**617.7**
Class B Shares		
Balance as at October 30, 2022	**13,912,826**	**18.9**
Conversion of Class B Shares into Class A Subordinate Voting Shares	**(1,500)**	**—**
Balance as at January 29, 2023	**13,911,326**	**18.9**
	86,624,170	**$ 636.6**

Share redemptions
On September 29, 2022, the Corporation has been authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between October 3, 2022 and October 2, 2023, or at an earlier date if the Corporation concludes or cancels the offer, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 191,343 of its Class B Shares. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

During the three-month period ended January 29, 2023, the Corporation did not repurchase any of its Class A Subordinate Voting Shares or Class B Shares. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at January 29, 2023.

During the three-month period ended January 30, 2022, the Corporation repurchased and cancelled 157,800 of its Class A Subordinate Voting Shares at a weighted average price of $18.80, for a total cash consideration of $3.0 million. The excess of the total consideration over the carrying amount of the shares, amounting to $1.6 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 January 30, 2022.

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

12 SHARE CAPITAL (CONTINUED)

Net earnings per share
For the three-month periods ended January 29, 2023 and January 30, 2022, there were no longer any dilutive items.

Dividends
Dividends of $0.225 per share were declared and paid to the holders of shares for each of the three-month periods ended January 29, 2023 and January 30, 2022.

13 STOCK-BASED COMPENSATION

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

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

The following table presents the changes in the plans' status for the three-month period ended January 29, 2023:

	Number of units	
	DSU	RSU
Balance as at October 30, 2022	**1,056,790**	**1,715,442**
Units granted	**40,600**	**665,811**
Units cancelled	**(141)**	**(12,443)**
Units paid	**(258,146)**	**(758,540)**
Units converted	**5,465**	**—**
Dividends paid in units	**10,736**	**14,383**
Balance as at January 29, 2023	**855,304**	**1,624,653**

As at January 29, 2023, the liability related to the share unit plans was $20.9 million, of which $9.9 million was presented under Other liabilities ($36.7 million as at October 30, 2022, of which $10.1 million was presented under Other liabilities) and the remaining balance was presented under Accounts payable and accrued liabilities. Expenses recorded in the Consolidated Statements of Earnings for the three-month periods ended January 29, 2023 and January 30, 2022 were $2.2 million and $7.5 million, respectively. Amounts of $18.0 million and $5.3 million were paid under these plans for the three-month periods ended January 29, 2023 and January 30, 2022, respectively.

Total return swap
The Corporation uses total return swaps to hedge a portion of the stock-based compensation expenses (gains) that vary based on the price of the Corporation's shares. These swaps have a term of 12 months each. During the three-month period ended January 29, 2023, the Corporation settled, at maturity, the total return swap covering 1,200,000 units at a weighted average price of $20.01 per unit for a consideration paid of 5.9 million. Concurrently with the settlement, the Corporation entered into a new agreement and 1,151,800 units at a weighted average price of $15.12 per unit were covered as at January 29, 2023. During the three-month periods ended January 29, 2023 and January 30, 2022, amounts recognized in the Consolidated Statements of Earnings under Operating expenses, corresponding to the change in fair value of the total return swap for hedged units, before taking into account dividends received and interest paid, were an expense of $0.6 million and a gain of $1.9 million, respectively.

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

14 ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

	Cash flow hedges	Net investment hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive income (loss)
Balance as at October 30, 2022	**$ (11.6)**	**$ (11.3)**	**$ 66.3**	**$ (22.7)**	**$ 20.7**
Net change in gains (losses), net of income taxes	**6.9**	**8.0**	**(24.3)**	**(3.8)**	**(13.2)**
Balance as at January 29, 2023	**$ (4.7)**	**$ (3.3)**	**$ 42.0**	**$ (26.5)**	**$ 7.5**
Balance as at October 31, 2021	$ (1.3)	$ 25.1	$ (52.9)	$ (12.2)	$ (41.3)
Net change in gains (losses), net of income taxes	(1.4)	(11.6)	44.6	3.4	35.0
Balance as at January 30, 2022	$ (2.7)	$ 13.5	$ (8.3)	$ (8.8)	$ (6.3)

As at January 29, 2023, the amounts expected to be reclassified to net earnings in future years are as follows:

	2023	2024	2025	2026	2027	Total
Net change in the fair value of derivatives designated as cash flow hedges	$ (2.6)	$ (3.4)	$ (0.5)	$ —	$ 0.2	$ (6.3)
Income taxes	(0.7)	(0.9)	(0.1)	—	0.1	(1.6)
	$ (1.9)	$ (2.5)	$ (0.4)	$ —	$ 0.1	$ (4.7)

Actuarial gains and losses on defined benefit plans

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

	Three months ended	
	January 29, 2023	January 30, 2022
Actuarial (losses) gains on obligation - change in discount rate	**$ (37.8)**	$ 18.0
Actuarial gains (losses) on plan assets - excluding interest income	**32.6**	(13.0)
Effect of the asset ceiling	**—**	(0.3)
Related income taxes	**(1.4)**	1.3
	$ (3.8)	$ 3.4

Actuarial gains and losses on obligation recognized in the Statements of Comprehensive Income for the three-month period ended January 29, 2023 are explained by the change in the discount rate, which decreased from 5.40% as at October 30, 2022 to 4.70% as at January 29, 2023 in Canada, and from 5.70% as at October 30, 2022 to 4.80% as at January 29, 2023 in the United States. Actuarial gains and losses on plan assets are due to the fact that actual rates of return on assets were higher than expected returns for the three-month period ended January 29, 2023.

Actuarial gains and losses on obligation recognized in the Statements of Comprehensive Income for the three-month period ended January 30, 2022 are explained by the change in the discount rate, which increased from 3.40% as at October 31, 2021 to 3.59% as at January 30, 2022 in Canada, and from 2.90% as at October 31, 2021 to 3.20% as at January 30, 2022 in the United States. Actuarial gains and losses on plan assets are attributable to the fact that actual rates of return on assets were overall lower than expected returns for the three-month period ended January 30, 2022.

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

15 FINANCIAL INSTRUMENTS

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

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

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

The only financial instruments of the Corporation that are measured at fair value on a recurring basis subsequent to their initial recognition are derivative financial instruments, including foreign exchange forward contracts, interest rate swaps, cross-currency interest rate swaps, total return swaps and contingent considerations payable related to business combinations. The fair value of derivative financial instruments is determined using an evaluation of the estimated market value, adjusted for the credit quality of the counterparty or the Corporation. The valuation model for contingent considerations considers the present value of expected payments, discounted using a risk-adjusted discount rate. The expected payment is determined by considering various scenarios of achievement of pre-established financial performance thresholds, the amount to be paid under each scenario and the probability of occurrence of each scenario.

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

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

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

		As at January 29, 2023		As at October 30, 2022	
	Fair value hierarchy	**Fair value**	**Carrying amount**	Fair value	Carrying amount
Prepaid expenses and other current assets					
Foreign exchange forward contracts	Level 2	**$ 0.6**	**$ 0.6**	$ 1.2	$ 1.2
Total return swaps	Level 2	**0.3**	**0.3**	—	—
Other assets					
Foreign exchange forward contracts	Level 2	**0.2**	**0.2**	1.0	1.0
Interest rate swaps	Level 2	**0.3**	**0.3**	—	—
Accounts payable and accrued liabilities					
Total return swaps	Level 2	**—**	**—**	(4.9)	(4.9)
Foreign exchange forward contracts	Level 2	**(4.8)**	**(4.8)**	(7.9)	(7.9)
Long-term debt					
Long-term debt	Level 2	**(1,026.3)**	**(1,036.1)**	(935.8)	(990.0)
Other liabilities					
Cross-currency interest rate swaps	Level 2	**(26.8)**	**(26.8)**	(35.3)	(35.3)
Foreign exchange forward contracts	Level 2	**(2.9)**	**(2.9)**	(9.5)	(9.5)

During the three-month period ended January 29, 2023, no financial instruments were transferred between Levels 1, 2 and 3.