tc • TRANSCONTINENTAL

Press Release

For Immediate Release

Transcontinental Inc. announces its financial results for the first quarter of fiscal 2019

Highlights

- Revenues increased by $249.9 million, or 49.8%, from $501.7 million to $751.6 million, essentially as a result of the transformational acquisition of Coveris Americas, which contributed $306.0 million to revenues. This increase was partially mitigated by the accelerated recognition of deferred revenues of $39.8 million recorded in the first quarter of 2018 and the $19.5 million unfavourable effect of the sale of our California newspaper printing operations resulting from the agreement signed with Hearst. Adjusted revenues, which exclude the accelerated recognition of deferred revenues, increased by $289.7 million, or 62.7%, from $461.9 million to $751.6 million. Organic growth remained stable in the first quarter of 2019 compared to the corresponding period in 2018.
- Operating earnings decreased by $70.0 million, or 56.6%, from $123.6 million to $53.6 million, mainly as a result of the $39.8 million positive effect of the accelerated recognition of deferred revenue recorded in the first quarter of 2018 and the favourable impact of gains on the sale of certain activities amounting to $33.0 million in the first quarter of 2018. Adjusted operating earnings, which exclude the accelerated recognition of deferred revenues, accelerated depreciation, restructuring and other costs (gains), impairment of assets and amortization of intangible assets arising from business combinations, increased by $6.3 million, or 8.9%, from $70.4 million to $76.7 million.
- Net earnings decreased by $30.1 million, or 51.7%, from $58.2 million to $28.1 million. Adjusted net earnings, which exclude the accelerated recognition of deferred revenues, accelerated depreciation, restructuring and other costs (gains), impairment of assets and amortization of intangible assets arising from business combinations, net of related income taxes, as well as the impact of the U.S. tax reform on deferred taxes, decreased by $6.3 million, or 12.2%, from $51.8 million to $45.5 million.
- A sign of confidence in the Corporation's transformation, the Board of Directors approved a 4.8% increase in the annual dividend, bringing it to $0.88 per share.

Montréal, February 28, 2019 - Transcontinental Inc. (TSX: TCL.A TCL.B) announces its results for the first quarter of fiscal 2019, which ended January 27, 2019.

"I am satisfied with the revenue growth we experienced in the Packaging Sector in the first quarter of 2019, said François Olivier, President and Chief Executive Officer of TC Transcontinental. We remain committed to gradually improving our profit margins during the year, in particular by realizing the expected synergies related to the transformational acquisition of Coveris Americas.

"Our Printing Sector had a more moderate start, mainly as a result of the sale of our newspaper printing operations in California. Furthermore, while we saw a slight decrease in our revenues from our retailer-related service offering, it remains healthy and resilient.

"In summary, our consolidated results demonstrated solid growth in terms of revenues reflecting the dynamic implementation of our transformation. Though our profitability was somewhat softer than expected, we continue to rigorously execute our business plan.

"To conclude, we will continue generating significant cash flows from our operating activities, which will first be allocated to reducing our indebtedness."

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Financial Highlights

(in millions of dollars, except per share amounts)	Q1-2019	Q1-2018	Variation in %
Revenues	**$751.6**	**$501.7**	**49.8 %**
Adjusted revenues [(1)]	**751.6**	**461.9**	**62.7**
Operating earnings before depreciation and amortization	**103.7**	**154.8**	**(33.0)**
Adjusted operating earnings before depreciation and amortization [(1)]	**108.1**	**91.1**	**18.7**
Operating earnings	**53.6**	**123.6**	**(56.6)**
Adjusted operating earnings [(1)]	**76.7**	**70.4**	**8.9**
Net earnings	**28.1**	**58.2**	**(51.7)**
Net earnings per share	**0.32**	**0.75**	**(57.3)**
Adjusted net earnings [(1)]	**45.5**	**51.8**	**(12.2)**
Adjusted net earnings per share [(1)]	**0.52**	**0.67**	**(22.4)**

(1) Please refer to the section entitled "Reconciliation of Non-IFRS Financial Measures" in this press release for adjusted data presented above. Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

2019 First Quarter Results

Revenues increased by $249.9 million, or 49.8%, from $501.7 million in the first quarter of 2018 to $751.6 million in the corresponding period in 2019. Excluding the favourable effect of the accelerated recognition of deferred revenues of $39.8 million recorded in the first quarter of 2018 resulting from the agreement signed with Hearst, adjusted revenues increased by 62.7%, from $461.9 million in the first quarter of 2018 to $751.6 million in the corresponding period of 2019. This increase is essentially attributable to the acquisition of Coveris Americas, which contributed $306.0 million to revenues, and to organic growth in revenues in the Packaging Sector resulting from an increase in volume in the majority of our plants. This increase was partially offset by the $19.5 million unfavourable effect of the sale to Hearst of our newspaper printing operations, including the $7.9 million unfavourable non-cash effect of the end of the recognition of deferred revenues and, to a lesser extent, the unfavourable effect of disposals of local and regional newspapers in Québec. The increase in revenues was also mitigated by the organic decline in revenues in certain Printing Sector verticals, in particular revenues from our service offering to Canadian retailers, which decreased slightly compared to the corresponding quarter of the previous year.

Operating earnings decreased by $70.0 million, or 56.6%, from $123.6 million in the first quarter of 2018 to $53.6 million in the first quarter of 2019. This decrease is mostly due to the positive effect of the accelerated recognition of deferred revenues of $39.8 million resulting from the agreement signed with Hearst and recorded in the first quarter of 2018, as well as the favourable impact of gains on the sale of certain activities amounting to $33.0 million in the first quarter of 2018. Adjusted operating earnings increased by $6.3 million, or 8.9%, from $70.4 million to $76.7 million. Excluding the $9.9 million unfavourable non-cash effect of the end of the recognition of deferred revenues related to the *San Francisco Chronicle*, *La Presse* and *The Globe and Mail* in the Maritimes as well as the unfavourable effect of the stock-based compensation expense, which increased by $1.4 million as a result of the change in the share price in the first quarter of 2019 compared to the corresponding period in 2018, adjusted operating earnings increased by $17.6 million, or 25.0%. This increase is mainly attributable to the contribution from the acquisition of Coveris Americas as well as the organic growth in revenues in our Packaging Sector, partially offset by the above-mentioned organic decline in certain Printing Sector verticals.

Net earnings decreased by $30.1 million, or 51.7%, from $58.2 million in the first quarter of 2018 to $28.1 million in the first quarter of 2019. This decrease is due to lower operating earnings and higher financial expenses in the first quarter of 2019 as a result of the increase in long-term debt related to the financing of the acquisition of Coveris Americas, offset by the favourable effect of the U.S. tax reform on taxes compared to the first quarter of 2018. On a per share basis, net earnings went from $0.75 to $0.32 due to the above-mentioned items, but also to the effect of the issuance of 10.8 million Class A Subordinate Voting Shares of the Corporation. Adjusted net earnings

decreased by $6.3 million, or 12.2%, from $51.8 million in the first quarter of 2018 to $45.5 million in the first quarter of 2019, mostly due to higher financial expenses, partially offset by the increase in adjusted operated earnings. On a per share basis, adjusted net earnings went from $0.67 to $0.52 as a result of the decrease in adjusted net earnings and the effect of the issuance of 10.8 million Class A Subordinate Voting Shares of the Corporation in May 2018.

For more detailed financial information, please see the *Management's Discussion and Analysis for the first quarter ended January 27, 2019* as well as the financial statements in the "Investors" section of our website at www.tc.tc

Outlook

In our Packaging Sector, the acquisitions, in particular that of Coveris Americas completed on May 1, 2018, will significantly contribute to adjusted revenues and adjusted operating earnings for the next quarter compared to the corresponding quarter of the prior year. With respect to Coveris Americas, we expect our profit margins to gradually improve over the coming quarters as a result of the effect of the synergies, to reach the target of US$10 million on an annualized basis at the end of the second quarter of 2019, as well as an increased focus on manufacturing efficiency. In our packaging operations other than those of Coveris Americas, we should continue generating organic growth in revenues throughout fiscal 2019 with the help of our well-established sales force, which should also contribute to profitability.

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

We expect that the Media Sector will continue to record a solid performance in fiscal 2019, both in terms of revenues and profitability.

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

Reconciliation of Non-IFRS Financial Measures

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

We also believe that the adjusted revenues, the adjusted operating earnings before depreciation and amortization, the adjusted operating earnings, that takes into account the impact of past investments in property, plant and equipment and intangible assets, and the adjusted net earnings are useful indicators of the performance of our operations. Furthermore, management also uses some of these non-IFRS financial measures to assess the performance of its activities and managers.
Regarding the net indebtedness and net indebtedness ratio, we believe that these indicators are useful to measure the Corporation's financial leverage and ability to meet its financial obligations.

Reconciliation of revenues - First quarter

	Three months ended	
(in millions of dollars)	**January 27, 2019**	January 28, 2018
Revenues	**$751.6**	$501.7
Accelerated recognition of deferred revenues (1)	**—**	(39.8)
Adjusted revenues	**$751.6**	$461.9

(1) Related to the agreement signed with Hearst on December 21, 2017. Please refer to the condensed interim consolidated financial statements for the quarter ended January 28, 2018.

Reconciliation of operating earnings - First quarter

	Three months ended	
(in millions of dollars)	**January 27, 2019**	January 28, 2018
Operating earnings	**$53.6**	$123.6
Accelerated recognition of deferred revenues (1)	**—**	(39.8)
Restructuring and other costs (gains)	**4.4**	(25.9)
Accelerated depreciation (1)	**—**	6.3
Impairment of assets	**—**	2.0
Amortization of intangible assets arising from business combinations (2)	**18.7**	4.2
Adjusted operating earnings	**$76.7**	$70.4
Depreciation and amortization (3)	**$31.4**	20.7
Adjusted operating earnings before depreciation and amortization	**$108.1**	$91.1

(1) Related to the agreement signed with Hearst on December 21, 2017. Please refer to the condensed interim consolidated financial statements for the quarter ended January 28, 2018.
(2) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.
(3) Depreciation and amortization excludes amortization of intangible assets arising from business combinations and accelerated depreciation presented above.

Reconciliation of net earnings - First quarter

	Three months ended			
	January 27, 2019		January 28, 2018	
(in millions of dollars, except per share amounts)	**Total**	**Per share**	Total	Per share
Net earnings	**$28.1**	**$0.32**	$58.2	$0.75
Amortization of intangible assets arising from business combinations, net of related income taxes (1)	**14.1**	**0.16**	3.2	0.04
Restructuring and other costs (gains), net of related income taxes	**3.3**	**0.04**	(22.8)	(0.29)
Accelerated recognition of deferred revenues, net of related income taxes (2)	**—**	**—**	(29.4)	(0.38)
Accelerated depreciation, net of related income taxes (2)	**—**	**—**	4.6	0.06
Impairment of assets, net of related income taxes	**—**	**—**	1.4	0.02
Impact of the U.S. tax reform on deferred taxes	**—**	**—**	36.6	0.47
Adjusted net earnings	**$45.5**	**$0.52**	$51.8	$0.67

(1) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.
(2) Related to the agreement signed with Hearst on December 21, 2017. Please refer to the condensed interim consolidated financial statements for the quarter ended January 28, 2018.

Reconciliation of net indebtedness

(in millions of dollars, except ratios)	As at January 27, 2019	As at October 28, 2018
Long-term debt	**$1,227.1**	$1,209.8
Current portion of long-term debt	**251.2**	251.2
Cash	**(53.7)**	(40.5)
Net indebtedness	**$1,424.6**	$1,420.5
Adjusted operating earnings before depreciation and amortization (last 12 months)	**$476.4**	$459.4
Net indebtedness ratio	**3.0 x**	3.1 x

Dividend

The Corporation's Board of Directors declared a quarterly dividend of $0.22 per share on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on April 10, 2019 to shareholders of record at the close of business on March 25, 2019. The Corporation thus increased the dividend per participating share by 4.8%, or $0.04, raising the annual dividend from $0.84 to $0.88 per share. This increase reflects TC Transcontinental's solid cash flow position.

Conference Call

Upon releasing its 2019 first quarter results, the Corporation will hold a conference call for the financial community today at 4:15 p.m. The dial-in numbers are 1 647 788-4922 or 1 877 223-4471. Media may hear the call in listen-only mode or tune in to the simultaneous audio broadcast on the Corporation's website, which will then be archived for 30 days. For media requests or interviews, please contact Nathalie St-Jean, Senior Advisor, Corporate Communications of TC Transcontinental, at 514 954-3581.

Profile

TC Transcontinental is a leader in flexible packaging in North America, and Canada's largest printer. The Corporation is also a Canadian leader in its specialty media segments. For over 40 years, TC Transcontinental's mission has been to create products and services that allow businesses to attract, reach and retain their target customers.

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

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

Forward-looking Statements

Our public communications often contain oral or written forward-looking statements which are based on the expectations of management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. Forward-looking statements may include observations concerning the Corporation's objectives, strategy, anticipated financial results and business outlook. The Corporation's future performance may also be affected by a number of factors, many of which are beyond the Corporation's will or control. These factors include, but are not limited to, the economic situation in the world, structural changes in the industries in which the Corporation operates, the exchange rate, availability of capital, raw materials costs, competition, the Corporation's capacity to generate organic growth in its Packaging Sector, the Corporation's capacity to engage in strategic transactions and effectively integrate acquisitions into its activities without affecting its growth and its profitability, while achieving the expected synergies, the political, social, regulatory and legislative environment, in particular with regard to the environment and sustainable development, the impact of digital product adoption on the demand for its printed products, change in consumption habits or loss of a major customer, the safety of its packaging products used in the food industry, innovation of its offering, the protection of its intellectual property rights, concentration of its sales in certain segments, cybersecurity and data protection, recruiting and retaining qualified personnel in certain geographic areas and industry sectors, taxation, interest rate and indebtedness level. The main risks, uncertainties and factors that could influence actual results are described in the *Management's Discussion and Analysis (MD&A) for the year ended October 28, 2018* and in the latest *Annual Information Form*.

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of non-recurring or other unusual items, nor of disposals, business combinations, mergers or acquisitions which may be announced after the date of February 28, 2019.

The forward-looking statements in this press release are made pursuant to the “safe harbour” provisions of applicable Canadian securities legislation.

The forward-looking statements in this release are based on current expectations and information available as at February 28, 2019. Such forward-looking information may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the first quarter ended January 27, 2019

The purpose of this Management's Discussion and Analysis is to help the reader better understand the business, development strategy and future outlook of Transcontinental Inc., how we manage risk, as well as to analyze the Corporation's results and financial position for the first quarter ended January 27, 2019. It should be read in conjunction with the information in the unaudited condensed interim consolidated financial statements and the accompanying notes included in this report. Additional information relating to the Corporation, including its Annual Report and Annual Information Form, may also be obtained on SEDAR at www.sedar.com.

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

In addition, in this Management's Discussion and Analysis, we also use non-IFRS financial measures for which a complete definition is presented below and for which a reconciliation to financial information in accordance with IFRS is presented in Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" and in Note 3 "Segmented Information" to the unaudited condensed interim consolidated financial statements for the first quarter ended January 27, 2019. These measures should be considered as a complement to financial performance measures in accordance with IFRS. They do not substitute and are not superior to them.

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

(1) Related to the agreement signed with The Hearst Corporation on December 21, 2017. Please refer to the condensed interim consolidated financial statements for the quarter ended January 28, 2018.

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

and factors that could influence actual results are described in the *Management's Discussion and Analysis for the year ended October 28, 2018* and in the latest annual information form.

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of non-recurring or other unusual items, nor of disposals, business combinations, mergers or acquisitions which may be announced or concluded after the date of February 28, 2019.

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

The forward-looking statements in this Management's Discussion and Analysis are based on current expectations and information available as at February 28, 2019. Such forward-looking statements may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's Management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

PROFILE OF TC TRANSCONTINENTAL

TC Transcontinental is a leader in flexible packaging in North America, and Canada's largest printer. The Corporation is also a Canadian leader in its specialty media segments. For over 40 years, TC Transcontinental's mission has been to create products and services that allow businesses to attract, reach and retain their target customers.

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

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

HIGHLIGHTS - FIRST QUARTER

Table #1:

(in millions of dollars, except per share amounts)	**Q1 - 2019**	Q1 - 2018	Variation in $	Variation in %
Revenues	**$751.6**	$501.7	$249.9	49.8 %
Adjusted revenues (1)	**751.6**	461.9	289.7	62.7
Operating earnings before depreciation and amortization	**103.7**	154.8	(51.1)	(33.0)
Adjusted operating earnings before depreciation and amortization (1)	**108.1**	91.1	17.0	18.7
Operating earnings	**53.6**	123.6	(70.0)	(56.6)
Adjusted operating earnings (1)	**76.7**	70.4	6.3	8.9
Net earnings	**28.1**	58.2	(30.1)	(51.7)
Net earnings per share	**0.32**	0.75	(0.43)	(57.3)
Adjusted net earnings (1)	**45.5**	51.8	(6.3)	(12.2)
Adjusted net earnings per share (1)	**0.52**	0.67	(0.15)	(22.4)

(1) Please refer to Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.
Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

- Revenues increased by $249.9 million, or 49.8%, from $501.7 million to $751.6 million. This increase is mainly related to the transformational acquisition of Coveris Americas, which contributed $306.0 million to revenues. This increase was partially mitigated by the accelerated recognition of deferred revenues of $39.8 million recorded in the first quarter of 2018 and the $19.5 million unfavourable effect of the sale of our California printing operations resulting from the agreement signed with Hearst. Adjusted revenues increased by $289.7 million, or 62.7 %, from $461.9 million to $751.6 million. Organic growth remained stable in the first quarter of 2019 compared to the corresponding period in 2018.

- Operating earnings decreased by $70.0 million, or 56.6%, from $123.6 million to $53.6 million, mainly as a result of the $39.8 million positive effect of the accelerated recognition of deferred revenues recorded in the first quarter of 2018 and the favourable impact of gains on the sale of certain activities amounting to $33.0 million in the first quarter of 2018. Adjusted operating earnings went from $70.4 million to $76.7 million, an increase of $6.3 million or 8.9%, mainly as a result of the contribution from the acquisition of Coveris Americas, which was partially mitigated by the sale to Hearst of our newspaper printing operations and the organic decline in the Printing Sector.
- Net earnings decreased by $30.1 million, or 51.7 %, from $58.2 million to $28.1 million. On a per share basis, net earnings went from $0.75 to $0.32 due to the above-mentioned items, higher financial expenses arising from the acquisition of Coveris Americas and the effect of the issuance of 10.8 million Class A Subordinate Voting Shares in May 2018. This decrease was partially offset by a lower effective tax rate for the first quarter of 2019 compared to the corresponding period in 2018. Adjusted net earnings decreased by $6.3 million, or 12.2%, from $51.8 million to $45.5 million. On a per share basis, it went from $0.67 to $0.52.

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

(unaudited)

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

We also believe that the adjusted revenues, the adjusted operating earnings before depreciation and amortization, the adjusted operating earnings, that takes into account the impact of past investments in property, plant and equipment and intangible assets, and the adjusted net earnings are useful indicators of the performance of our operations. Furthermore, management also uses some of these non-IFRS financial measures to assess the performance of its activities and managers.

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

Table #2:

Reconciliation of revenues - First quarter

	Three months ended	
(in millions of dollars)	**January 27, 2019**	January 28, 2018
Revenues	**$751.6**	$501.7
Accelerated recognition of deferred revenues [1]	**—**	(39.8)
Adjusted revenues	**$751.6**	$461.9

(1) Related to the agreement signed with Hearst on December 21, 2017. Please refer to the condensed interim consolidated financial statements for the quarter ended January 28, 2018.

Reconciliation of operating earnings - First quarter

	Three months ended	
(in millions of dollars)	**January 27, 2019**	January 28, 2018
Operating earnings	**$53.6**	$123.6
Accelerated recognition of deferred revenues (1)	**—**	(39.8)
Restructuring and other costs (gains)	**4.4**	(25.9)
Accelerated depreciation (1)	**—**	6.3
Impairment of assets	**—**	2.0
Amortization of intangible assets arising from business combinations (2)	**18.7**	4.2
Adjusted operating earnings	**$76.7**	$70.4
Depreciation and amortization (3)	**31.4**	20.7
Adjusted operating earnings before depreciation and amortization	**$108.1**	$91.1

(1) Related to the agreement signed with Hearst on December 21, 2017. Please refer to the condensed interim consolidated financial statements for the quarter ended January 28, 2018.
(2) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.
(3) Depreciation and amortization exclude amortization of intangible assets arising from business combinations and accelerated depreciation presented above.

Reconciliation of net earnings - First quarter

	Three months ended			
	January 27, 2019		January 28, 2018	
(in millions of dollars, except per share amounts)	**Total**	**Per share**	Total	Per share
Net earnings	**$28.1**	**$0.32**	$58.2	$0.75
Amortization of intangible assets arising from business combinations, net of related income taxes (1)	**14.1**	**0.16**	3.2	0.04
Restructuring and other costs (gains), net of related income taxes	**3.3**	**0.04**	(22.8)	(0.29)
Accelerated recognition of deferred revenues, net of related income taxes (2)	**—**	**—**	(29.4)	(0.38)
Accelerated depreciation, net of related income taxes (2)	**—**	**—**	4.6	0.06
Impairment of assets, net of related income taxes	**—**	**—**	1.4	0.02
Impact of the U.S. tax reform on deferred taxes	**—**	**—**	36.6	0.47
Adjusted net earnings	**$45.5**	**$0.52**	$51.8	$0.67

(1) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.
(2) Related to the agreement signed with Hearst on December 21, 2017. Please refer to the condensed interim consolidated financial statements for the quarter ended January 28, 2018.

Reconciliation of net indebtedness

(in millions of dollars, except ratios)	**As at January 27, 2019**	As at October 28, 2018
Long-term debt	**$1,227.1**	$1,209.8
Current portion of long-term debt	**251.2**	251.2
Cash	**(53.7)**	(40.5)
Net indebtedness	**$1,424.6**	$1,420.5
Adjusted operating earnings before depreciation and amortization (last 12 months)	**$476.4**	$459.4
Net indebtedness ratio	**3.0 x**	3.1 x

ANALYSIS OF CONSOLIDATED RESULTS - FIRST QUARTER

Revenues

Revenues increased by $249.9 million, or 49.8%, from $501.7 million in the first quarter of 2018 to $751.6 million in the corresponding period in 2019. This increase is essentially attributable to the transformational acquisition of Coveris Americas, which contributed $306.0 million to revenues. This increase was partially mitigated by the accelerated recognition of deferred revenues of $39.8 million recorded in the first quarter of 2018 and the unfavourable effect of the sale of our California printing operations resulting from the agreement signed with Hearst. The disposals of local and regional newspapers in Québec also had an unfavourable impact, but to a lesser extent. A more detailed analysis of adjusted revenues is presented in the "Analysis of Sector Results - First Quarter" section.

Operating and Other Expenses

Operating expenses increased by $272.7 million, or 73.5%, in the first quarter of 2019 compared to the corresponding period in 2018. This increase is mostly attributable to the effect of acquisitions, particularly that of Coveris Americas.

Restructuring and other costs (gains) went from a gain of $25.9 million in the first quarter of 2018 to an expense of $4.4 million in the first quarter of 2019. The unfavourable impact is mostly due to the gains realized on the sale of local and regional newspapers in our Media Sector and the sale of our stake in CEDROM-SNi inc. in the first quarter of 2018.

No asset impairment charge was recorded in the first quarter of 2019, compared to a charge of $2.0 million in the corresponding quarter in 2018. This charge was related to intangible assets in the local and regional newspaper publishing activities in the Media Sector.

Depreciation and amortization increased by $18.9 million, from $31.2 million in the first quarter of 2018 to $50.1 million in the first quarter of 2019, mainly as a result of the additional depreciation and amortization related to the acquisition of Coveris Americas.

Operating Earnings

Operating earnings decreased by $70.0 million, or 56.6%, from $123.6 million in the first quarter of 2018 to $53.6 million in the first quarter of 2019. This decrease is mostly due to the accelerated recognition of deferred revenues of $39.8 million recorded in the first quarter of 2018 as a result of the agreement signed with Hearst as well as the unfavourable variation in restructuring and other costs (gains) explained in the previous sub-section. Adjusted operating earnings increased by $6.3 million, or 8.9%, from $70.4 million to $76.7 million. A more detailed analysis of adjusted operating earnings is presented in the "Analysis of Sector Results - First Quarter" section.

Net Financial Expenses

Net financial expenses increased by $15.1 million, from $2.6 million in the first quarter of 2018 to $17.7 million in the first quarter of 2019, mainly due to the increase in long-term debt in order to finance the acquisition of Coveris Americas.

Income Taxes

Income taxes decreased by $55.0 million, from $62.8 million in the first quarter of 2018 to $7.8 million in the first quarter of 2019. This decrease is mainly attributable to an income tax expense recorded in the first quarter of 2018 with respect to the U.S. tax reform (the *Tax Cuts and Jobs Act*), which lowered the U.S. corporate federal statutory tax rate from a progressive tax rate of up to 35% to a fixed rate of 21%. During the first quarter of 2018, this decrease led to a $36.6 million reduction in previously recognized deferred tax assets. In addition, the decrease in income taxes resulted from an income tax expense of $10.4 million recorded in the first quarter of 2018 with respect to the accelerated recognition of deferred revenues, while no such tax expense was recorded in the first quarter of 2019.

Adjusted income taxes went from $16.0 million in the first quarter of 2018, for an effective tax rate of 23.6%, to $13.5 million in the first quarter of 2019, for an effective tax rate of 22.8%.

Net Earnings

Net earnings decreased by $30.1 million, or 51.7%, from $58.2 million in the first quarter of 2018 to $28.1 million in the first quarter of 2019. This decrease is due to the previously explained decrease in operating earnings as well as higher financial expenses in the first quarter of 2019 compared to the corresponding period in 2018. On a per share basis, net earnings went from $0.75 to $0.32 due to the above-mentioned items, but also to the effect of the issuance of 10.8 million Class A Subordinate Voting Shares of the Corporation in May 2018.

Adjusted net earnings decreased by $6.3 million, or 12.2%, from $51.8 million in the first quarter of 2018 to $45.5 million in the first quarter of 2019, mostly as a result of higher financial expenses, partially offset by the increase in adjusted operating earnings. On a per share basis, adjusted net

earnings went from $0.67 to $0.52 as a result of the decrease in adjusted net earnings and the effect of the issuance of 10.8 million Class A Subordinate Voting Shares of the Corporation in May 2018.

ANALYSIS OF SECTOR RESULTS - FIRST QUARTER

(unaudited)

Table #3:

(in millions of dollars)	Packaging Sector	Printing Sector	Other	Consolidated results
Adjusted Revenues [(1)] - First quarter of 2018	**$70.9**	**$365.3**	**$25.7**	**$461.9**
Acquisitions/disposals and closures	316.6	(19.5)	(7.5)	289.6
Existing operations				
End of the recognition of deferred revenues related to the contracts to print *La Presse* and *The Globe and Mail* in the Maritimes	—	(2.0)	—	(2.0)
Exchange rate effect	2.7	0.1	—	2.8
Organic growth (decline)	4.8	(7.1)	1.6	(0.7)
Adjusted Revenues [(1)] - First quarter of 2019	**$395.0**	**$336.8**	**$19.8**	**$751.6**
Adjusted operating earnings [(1)] - First quarter of 2018	**$3.8**	**$67.0**	**($0.4)**	**$70.4**
Acquisitions/disposals and closures	24.4	(7.3)	0.5	17.6
Existing operations				
End of the recognition of deferred revenues related to the contracts to print *La Presse* and *The Globe and Mail* in the Maritimes	—	(2.0)	—	(2.0)
Exchange rate effect	0.1	(0.4)	—	(0.3)
Stock-based compensation	—	—	(1.4)	(1.4)
Organic growth (decline)	0.9	(6.5)	(2.0)	(7.6)
Adjusted operating earnings [(1)] - First quarter of 2019	**$29.2**	**$50.8**	**($3.3)**	**$76.7**

(1) Please refer to Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.
Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

Packaging Sector

Packaging Sector revenues increased by $324.1 million, from $70.9 million in the first quarter of 2018 to $395.0 million in the first quarter of 2019. This increase is mostly attributable to the contribution from the acquisition of Coveris Americas and, to a lesser extent, of Multifilm Packaging, for a total amount of $316.6 million. Our organic growth amounted to $4.8 million, or 6.8%, mainly as a result of an increase in volume in the majority of our plants.

Adjusted operating earnings increased by $25.4 million, from $3.8 million in the first quarter of 2018 to $29.2 million in the first quarter of 2019. This increase is attributable to the contribution from our acquisitions, in particular that of Coveris Americas. The Sector's adjusted operating earnings margin went from 5.4% in the first quarter of 2018 to 7.4% in the first quarter of 2019.

Printing Sector

Printing Sector revenues decreased by $28.5 million, or 7.8%, from $365.3 million in the first quarter of 2018 to $336.8 million in the first quarter of 2019. This decrease is mainly explained by the $19.5 million unfavourable effect of the sale to Hearst of our newspaper printing operations, including the $7.9 million unfavourable non-cash effect related to the end of the recognition of deferred revenues (see Table #4). In addition, the end of the recognition of deferred revenues related to *La Presse* and *The Globe and Mail* in the Maritimes contributed to the decrease in adjusted revenues with an unfavourable non-cash effect of $2.0 million (see Table #4). Excluding the above-mentioned items and the exchange rate effect, revenues decreased by $7.1 million, which is mostly explained by a slight decrease in our revenues from our service offering to Canadian retailers and the decrease in newspaper, magazine and commercial product printing.

Adjusted operating earnings decreased by $16.2 million, or 24.2%, from $67.0 million in the first quarter of 2018 to $50.8 million in the first quarter of 2019. This decrease is mostly due to the $7.3 million unfavourable effect of the sale to Hearst of our newspaper printing operations, of which $7.9 million is explained by the unfavourable non-cash effect of the end of the recognition of deferred revenues (see Table #4). In addition, the end of the recognition of deferred revenues related to the contracts to print *La Presse* and *The Globe and Mail* in the Maritimes had a $2.0 million unfavourable effect on adjusted operating earnings in the first quarter of 2019 (see Table #4). Excluding the above-mentioned items and the exchange rate effect, adjusted operating earnings decreased by $6.5 million, which is mainly explained by lower revenues. As a result of the

above-mentioned items, the Sector's adjusted operating earnings margin went from 18.3% in the first quarter of 2018 to 15.1% in the first quarter of 2019.

Table #4:
The following table presents the non-cash impact on revenues and adjusted operating earnings of the end of the recognition of deferred revenues related to the contracts to print the *San Francisco Chronicle*, *La Presse* and *The Globe and Mail* in the Maritimes for fiscal 2018 and the first two quarters of 2019. This recognition of deferred revenues results from the fact that the Corporation received over $260.0 million in cash from these customers between December 2012 and December 2015 for the modification of certain clauses, which have been recognized over the remaining term of the respective contracts.

	2018	**2019**	
(in millions of dollars)	Cumul.	Q1	Q2
Contract to print the *San Francisco Chronicle* (1)			
Prior year	$31.4	$7.9	$4.4
Current year	12.3	—	—
Unfavourable net change	**$19.1**	**$7.9**	**$4.4**
Contracts to print *La Presse* and *The Globe and Mail* in the Maritimes (2)			
Prior year	$16.1	$3.0	$1.1
Current year	6.3	1.0	1.0
Unfavourable (favourable) net change	**$9.8**	**$2.0**	**$0.1**
Total unfavourable net change of these contracts on revenues and adjusted operating earnings	**$28.9**	**$9.9**	**$4.5**

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

Other

Revenues for the Other category decreased by $5.9 million, from $25.7 million in the first quarter of 2018 to $19.8 million in the first quarter of 2019. This decrease is mostly due to the impact of the sale of our local and regional newspapers in Québec, partially offset by a decrease in inter-segment transactions and the contribution from our acquisitions in the Media Sector.

Adjusted operating earnings decreased by $2.9 million, from -$0.4 million in the first quarter of 2018 to -$3.3 million in the first quarter of 2019, mainly because of an increase in head office costs resulting from acquisitions and the impact of the $1.4 million increase in the stock-based compensation expense as a result of the change in the share price in the first quarter of 2019 compared to the corresponding period in 2018. This decrease in operating earnings was partially offset by a solid performance by our Media Sector.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

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

Table #5:

	2019	2018				2017		
(in millions of dollars, except per share amounts)	**Q1**	Q4	Q3	Q2	**Q1**	Q4	Q3	Q2
Revenues	**$751.6**	$829.2	$757.9	$534.7	**$501.7**	$527.2	$477.7	$498.7
Adjusted revenues (1)	**751.6**	829.2	757.9	472.4	**461.9**	527.2	477.7	498.7
Operating earnings before depreciation and amortization	**103.7**	153.6	89.7	138.7	**154.8**	128.8	93.7	94.2
Adjusted operating earnings before depreciation and amortization (1)	**108.1**	162.2	116.4	89.7	**91.1**	123.6	95.4	90.1
Adjusted operating earnings margin before depreciation and amortization (1)	**14.4 %**	19.6 %	15.4 %	19.0 %	**19.7 %**	23.4 %	20.0 %	18.1 %
Operating earnings	**$53.6**	$105.5	$39.6	$99.0	**$123.6**	$103.9	$68.2	$67.8
Adjusted operating earnings (1)	**76.7**	131.6	84.6	70.3	**70.4**	102.7	74.2	68.2
Adjusted operating earnings margin (1)	**10.2 %**	15.9 %	11.1 %	14.9 %	**15.2 %**	19.5 %	15.5 %	13.7 %
Net earnings	**$28.1**	$67.0	$19.3	$68.9	**$58.2**	$73.4	$49.0	$46.4
Net earnings per share	**0.32**	0.76	0.22	0.89	**0.75**	0.95	0.64	0.60
Adjusted net earnings (1)	**45.5**	87.0	52.1	48.5	**51.8**	71.0	52.9	45.5
Adjusted net earnings per share (1)	**0.52**	0.99	0.59	0.63	**0.67**	0.91	0.68	0.59
% of fiscal year	**— %**	35 %	20 %	22 %	**23 %**	33 %	25 %	21 %

(1) Please refer to Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.
Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

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

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

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

FINANCIAL POSITION, LIQUIDITY AND CAPITAL STRUCTURE

(unaudited)

Table #6:

	Three months ended	
(in millions of dollars)	**January 27, 2019**	January 28, 2018
Operating activities		
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	**$107.4**	$133.6
Changes in non-cash operating items	**(3.1)**	(31.3)
Income taxes paid	**(20.5)**	(12.3)
Cash flows from operating activities	**$83.8**	$90.0
Investing activities		
Business combinations, net of acquired cash	**$—**	($11.4)
Business disposals	**—**	30.3
Acquisitions of property, plant and equipment	**(35.7)**	(9.1)
Disposals of property, plant and equipment	**—**	0.1
Increase in intangible assets	**(5.1)**	(3.7)
Dividends received from joint ventures	**—**	3.4
Cash flows from investing activities	**($40.8)**	$9.6
Financing activities		
Reimbursement of long-term debt	**$—**	($3.7)
Net increase in credit facility	**4.3**	—
Financial expenses on long-term debt	**(17.2)**	(5.5)
Dividends	**(18.3)**	(15.5)
Share redemptions	**—**	(6.9)
Cash flows from financing activities	**($31.2)**	($31.6)
Effect of exchange rate changes on cash denominated in foreign currencies	**$1.4**	($1.4)
Net change in cash	**$13.2**	$66.6

Financial position	**As at January 27, 2019**	As at October 28, 2018
Net indebtedness (1)	**$1,424.6**	$1,420.5
Net indebtedness ratio (1)	**3.0 x**	3.1 x
Credit rating		
DBRS	**BBB (low)**	BBB (low)
Outlook	**Stable**	Stable
Standard and Poor's	**BBB-**	BBB-
Outlook	**Negative**	Negative

Consolidated Statements of Financial Position	**As at January 27, 2019**	As at October 28, 2018
Current assets	**$881.0**	$943.1
Current liabilities	**634.6**	717.3
Total assets	**3,728.3**	3,782.2
Total liabilities	**2,075.1**	2,148.1

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

Cash Flows from Operating Activities

Cash flows from operating activities before changes in non-cash operating items and income taxes paid went from $133.6 million in the first quarter of 2018 to $107.4 million in the first quarter of 2019. This decrease is mainly due to the favourable effect in the first quarter of 2018 of the accelerated recognition of deferred revenues of $39.8 million from a printing contract with *San Francisco Chronicle*. Non-cash operating items went from -$31.3 million in the first quarter of 2018 to -$3.1 million in the first quarter of 2019. This variation is mainly due to a favourable timing in accounts receivable, deferred revenues and accounts payable. On a net basis, cash flows from operating activities decreased from $90.0 million in the first quarter of 2018 to $83.8 million in the first quarter of 2019.

Cash Flows from Investing Activities

Cash flows from investing activities went from a cash inflow of $9.6 million in the first quarter of 2018 to a cash outflow of $40.8 million in the first quarter of 2019. This variation is mainly related to the increase in acquisitions of property, plant and equipment due to the acquisition of Coveris Americas and the favourable effect, in the first quarter of 2018, of the proceeds from the sale of our stake in CEDROM-SNi inc. and local and regional newspapers in Québec. The payment for the acquisition of Les Industries Flexipak inc. and Contech recorded in the first quarter of 2018 partially offset this unfavourable change.

Cash Flows from Financing Activities

Cash flows from financing activities went from a cash outflow of $31.6 million in the first quarter of 2018 to a cash outflow of $31.2 million in the first quarter of 2019.

Debt Instruments

Net indebtedness went from $1,420.5 million as at October 28, 2018 to $1,424.6 million as at January 27, 2019. This stability is explained by the contribution from our cash flows from operating activities, which was offset by acquisitions of property, plant and equipment and higher financial expenses. Consequently, our net indebtedness ratio stood at 3.0x as at January 27, 2019 compared to 3.1x as at October 28, 2018. During the first quarter of 2019, the Corporation extended the maturity of its credit facility, with an available amount of $400.0 million or the U.S. dollar equivalent, for one additional year, until February 2024, on the same terms. As at January 27, 2019, an amount of $137.4 million had been drawn on the credit facility, and the unused amount under the credit facility was $262.6 million.

Share Capital

Table #7:

Shares Issued and Outstanding	As at January 27, 2019	As at October 28, 2018
Class A (Subordinate Voting Shares)	**73,359,754**	**73,359,454**
Class B (Multiple Voting Shares)	**13,980,626**	**13,980,926**
Total Class A and Class B	**87,340,380**	**87,340,380**

The Corporation has been authorized to repurchase, for cancellation on the open market, between October 1, 2018 and September 30, 2019, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 189,344 of its Class B Shares, representing approximately 1.35% of the 73,850,034 issued and outstanding Class A Subordinate Voting Shares and of the 13,983,026 issues and outstanding Class B Shares as at September 18, 2018.

No shares have been repurchased under this share repurchase program during the first quarter of 2019.

The change in Class B Shares during the first quarter of 2019 is explained by the conversion of 300 Class B Shares into Class A Subordinate Voting Shares.

CHANGES IN ACCOUNTING STANDARDS

New accounting standards adopted during fiscal 2019

During the first quarter ended January 27, 2019, the Corporation adopted IFRS 15 "Revenue from Contracts with Customers", IFRS 9 "Financial instruments" and the amendments to IFRS 2 "Share-based Payment". The adoption of these standards and amendments did not have a significant impact on the Corporation's condensed interim consolidated financial statements. Please refer to Note 2 to the condensed interim consolidated financial statements for more information.

New or amended accounting standards not yet adopted

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

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

As at January 27, 2019, the Corporation's Management excluded Coveris Americas from its evaluation of internal control over financial reporting; this exclusion is accepted by the Autorité des marchés financiers (AMF) during the first year after the acquisition of a business, to give a corporation time to integrate the acquisition.

Coveris Americas, which has 3,100 employees, operates 21 manufacturing facilities producing a wide range of flexible plastic products and paper products. These facilities are located in the United States, Canada, Guatemala, Mexico, Ecuador, the United Kingdom, New Zealand and China.

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

Table #8:
(unaudited)

(in millions of dollars)	Coveris Americas
Statement of financial position	**As at January 27, 2019**
Current assets	375.6
Non-current assets	1,189.6
Current liabilities	143.9
Long-term liabilities	25.0
Statement of earnings	**For the three-month period ended January 27, 2019**
Revenues	306.0
Operating earnings before depreciation and amortization	37.6
Operating earnings	10.1

During the first quarter ended January 27, 2019, except for the information provided above, no change that has materially affected or is reasonably likely to materially affect the ICFR was brought to the attention of Management, including the President and Chief Executive Officer, and the Chief Financial Officer of the Corporation.

OUTLOOK

In our Packaging Sector, the acquisitions, in particular that of Coveris Americas completed on May 1, 2018, will significantly contribute to adjusted revenues and adjusted operating earnings for the next quarter compared to the corresponding quarter of the prior year. With respect to Coveris Americas, we expect our profit margins to gradually improve over the coming quarters as a result of the effect of the synergies, to reach the target of US$10 million on an annualized basis at the end of the second quarter of 2019, as well as an increased focus on manufacturing efficiency. In our packaging operations other than those of Coveris Americas, we should continue generating organic growth in revenues throughout fiscal 2019 with the help of our well-established sales force, which should also contribute to profitability.

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

We expect that the Media Sector will continue to record a solid performance in fiscal 2019, both in terms of revenues and profitability.

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

On behalf of Management,

(s) Donald LeCavalier
Chief Financial Officer

February 28, 2019

CONSOLIDATED STATEMENTS OF EARNINGS

Unaudited

(in millions of Canadian dollars, unless otherwise indicated and per share data)	Notes	Three months ended **January 27, 2019**	January 28, 2018
Revenues		**$ 751.6**	$ 501.7
Operating expenses	5	**643.5**	370.8
Restructuring and other costs (gains)	6	**4.4**	(25.9)
Impairment of assets	7	**—**	2.0
Operating earnings before depreciation and amortization		**103.7**	154.8
Depreciation and amortization	8	**50.1**	31.2
Operating earnings		**53.6**	123.6
Net financial expenses	9	**17.7**	2.6
Earnings before income taxes		**35.9**	121.0
Income taxes	10	**7.8**	62.8
Net earnings		**$ 28.1**	$ 58.2
Net earnings per share - basic		**$ 0.32**	$ 0.75
Net earnings per share - diluted		**$ 0.32**	$ 0.75
Weighted average number of shares outstanding - basic (in millions)	14	**87.3**	77.5
Weighted average number of shares - diluted (in millions)	14	**87.4**	77.6

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Unaudited

(in millions of Canadian dollars)	Notes	Three months ended January 27, 2019	Three months ended January 28, 2018
Net earnings		**$ 28.1**	$ 58.2
Other comprehensive income (loss)			
Items that will be reclassified to net earnings			
Net change related to cash flow hedges			
Net change in the fair value of derivatives designated as cash flow hedges		**(0.4)**	1.4
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		**0.2**	(0.7)
Related income taxes		**(0.1)**	0.2
		(0.1)	0.5
Cumulative translation differences			
Net unrealized exchange gains (losses) on the translation of the financial statements of foreign operations		**12.3**	(23.4)
Net gains (losses) on hedge of the net investment in foreign operations		**(0.6)**	1.5
Related income taxes		**(0.2)**	0.4
		11.9	(22.3)
Items that will not be reclassified to net earnings			
Changes related to defined benefit plans			
Actuarial gains (losses) on defined benefit plans	16	**(3.1)**	5.4
Related income taxes		**(0.8)**	1.7
		(2.3)	3.7
Other comprehensive income (loss)	16	**9.5**	(18.1)
Comprehensive income		**$ 37.6**	$ 40.1

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		**—**	**—**	**28.1**	**—**	**28.1**
Other comprehensive income		**—**	**—**	**—**	**9.5**	**9.5**
Shareholders' contributions and distributions to shareholders						
Dividends	13	**—**	**—**	**(18.3)**	**—**	**(18.3)**
Income taxes on share issuance costs	13	**(0.2)**	**—**	**—**	**—**	**(0.2)**
Balance as at January 27, 2019		**$ 642.2**	**$ 1.1**	**$ 989.6**	**$ 20.3**	**$ 1,653.2**
Balance as at October 29, 2017		$ 371.6	$ 1.1	$ 851.5	$ (5.5)	$ 1,218.7
Net earnings		—	—	58.2	—	58.2
Other comprehensive loss		—	—	—	(18.1)	(18.1)
Shareholders' contributions and distributions to shareholders						
Share redemptions	13	(1.6)	—	(5.3)	—	(6.9)
Dividends	13	—	—	(15.5)	—	(15.5)
Balance as at January 28, 2018		$ 370.0	$ 1.1	$ 888.9	$ (23.6)	$ 1,236.4

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 27, 2019**	As at October 28, 2018
Current assets			
Cash		**$ 53.7**	$ 40.5
Accounts receivable		**485.0**	565.4
Income taxes receivable		**8.9**	6.9
Inventories		**308.3**	305.6
Prepaid expenses and other current assets		**25.1**	24.7
		881.0	943.1
Property, plant and equipment and investment properties		**899.8**	888.6
Intangible assets		**736.7**	747.1
Goodwill		**1,158.9**	1,150.0
Deferred taxes	10	**18.4**	18.4
Other assets		**33.5**	35.0
		$ 3,728.3	$ 3,782.2
Current liabilities			
Accounts payable and accrued liabilities		**$ 356.3**	$ 431.6
Provisions		**2.6**	3.7
Income taxes payable		**8.4**	14.8
Deferred revenues and deposits		**16.1**	16.0
Current portion of long-term debt	11	**251.2**	251.2
		634.6	717.3
Long-term debt	11	**1,227.1**	1,209.8
Deferred taxes	10	**93.4**	98.4
Provisions		**1.6**	2.3
Other liabilities	12	**118.4**	120.3
		2,075.1	2,148.1
Equity			
Share capital	13	**642.2**	642.4
Contributed surplus		**1.1**	1.1
Retained earnings		**989.6**	979.8
Accumulated other comprehensive income	16	**20.3**	10.8
		1,653.2	1,634.1
		$ 3,728.3	$ 3,782.2

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

		Three months ended	
(in millions of Canadian dollars)	Notes	**January 27, 2019**	January 28, 2018
Operating activities			
Net earnings		**$ 28.1**	$ 58.2
Adjustments to reconcile net earnings and cash flows from operating activities:			
Impairment of assets	7	**—**	2.0
Depreciation and amortization	8	**55.4**	37.8
Financial expenses on long-term debt	9	**16.2**	4.4
Net losses on disposal of assets		**0.2**	0.5
Net gains on business disposals	6	**—**	(33.2)
Income taxes	10	**7.8**	62.8
Net foreign exchange differences and other		**(0.3)**	1.1
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		**107.4**	133.6
Changes in non-cash operating items [(1)]		**(3.1)**	(31.3)
Income taxes paid		**(20.5)**	(12.3)
Cash flows from operating activities		**83.8**	90.0
Investing activities			
Business combinations, net of acquired cash		**—**	(11.4)
Business disposals		**—**	30.3
Acquisitions of property, plant and equipment		**(35.7)**	(9.1)
Disposals of property, plant and equipment		**—**	0.1
Increase in intangible assets		**(5.1)**	(3.7)
Dividends received from joint ventures		**—**	3.4
Cash flows from investing activities		**(40.8)**	9.6
Financing activities			
Reimbursement of long-term debt	11	**—**	(3.7)
Net increase in credit facility	11	**4.3**	—
Financial expenses on long-term debt	9 &	**(17.2)**	(5.5)
Dividends	13	**(18.3)**	(15.5)
Share redemptions	13	**—**	(6.9)
Cash flows from financing activities		**(31.2)**	(31.6)
Effect of exchange rate changes on cash denominated in foreign currencies		**1.4**	(1.4)
Net change in cash		**13.2**	66.6
Cash at beginning of period		**40.5**	247.1
Cash at end of period		**$ 53.7**	$ 313.7
Non-cash investing activities			
Net change in capital asset acquisitions financed by accounts payable		**$ 2.5**	$ (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 period ended January 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 February 28, 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 January 27, 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 period ended January 27, 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.

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 period ended January 27, 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. This accounting treatment will result in the grossing up of the statement of financial position due to a right-of-use asset being recognized with an offsetting liability representing the obligation to make lease payments.

  IFRS 16 will be applicable to the Corporation for the annual period beginning on October 28, 2019, with earlier application permitted. The extent of the impact of the adoption of this standard on the consolidated financial statements of the Corporation has not yet been determined.

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

  The Corporation 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. Earlier application is permitted. The Interpretation requires:
  - an entity to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
  - an entity to consider whether it is probable that the tax authorities will accept the uncertain tax treatment; and
  - if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

  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.

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 January 27, 2019	Packaging	Printing	Other	Consolidated Results
Revenues	**$ 395.0**	**$ 336.8**	**$ 19.8**	**$ 751.6**
Operating expenses	**348.7**	**273.8**	**21.0**	**643.5**
Restructuring and other costs	**1.3**	**2.9**	**0.2**	**4.4**
Operating earnings before depreciation and amortization	**45.0**	**60.1**	**(1.4)**	**103.7**
Depreciation and amortization	**34.5**	**13.3**	**2.3**	**50.1**
Operating earnings	**$ 10.5**	**$ 46.8**	**$ (3.7)**	**$ 53.6**
Adjusted operating earnings before depreciation and amortization (1)	**$ 46.3**	**$ 63.0**	**$ (1.2)**	**$ 108.1**
Adjusted operating earnings (1)	**29.2**	**50.8**	**(3.3)**	**76.7**
Acquisitions of non-current assets (2)	**$ 24.7**	**$ 6.8**	**$ 8.6**	**$ 40.1**

For the three-month period ended January 28, 2018	Packaging	Printing	Other	Consolidated Results
Revenues	$ 70.9	$ 405.1	$ 25.7	$ 501.7
Operating expenses	64.8	282.4	23.6	370.8
Restructuring and other costs (gains)	—	2.8	(28.7)	(25.9)
Impairment of assets	—	0.2	1.8	2.0
Operating earnings before depreciation and amortization	6.1	119.7	29.0	154.8
Depreciation and amortization	5.3	23.2	2.7	31.2
Operating earnings	$ 0.8	$ 96.5	$ 26.3	$ 123.6
Adjusted operating earnings before depreciation and amortization (1)	$ 6.1	$ 82.9	$ 2.1	$ 91.1
Adjusted operating earnings (1)	3.8	$ 67.0	(0.4)	70.4
Acquisitions of non-current assets (2)	$ 3.0	$ 5.7	$ 3.7	$ 12.4

3 SEGMENTED INFORMATION (CONTINUED)

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

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	
	January 27, 2019	January 28, 2018
Packaging products		
Americas	**$ 368.4**	$ 70.9
Rest of the world	**26.6**	—
	395.0	70.9
Printing services (1)		
Retailer-related services (2)	**220.2**	226.7
Marketing products	**34.0**	33.2
Magazines and books	**50.5**	49.5
Newspapers	**32.1**	95.7
	336.8	405.1
Media (1)	**20.9**	29.6
Inter-segment sales	**(1.1)**	(3.9)
	$ 751.6	$ 501.7

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

	As at January 27, 2019	As at October 28, 2018
Packaging	**$ 2,529.5**	$ 2,524.5
Printing	**970.7**	1,052.9
Other (3)	**228.1**	204.8
	$ 3,728.3	$ 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 mainly includes cash, income taxes receivable, property, plant and equipment, intangible assets, deferred taxes and defined benefit asset not allocated to segments.

4 BUSINESS COMBINATIONS

- **Coveris Americas**

  On May 1, 2018, the Corporation completed the acquisition of Coveris Americas (the "Acquisition"). During the three-month period ended January 27, 2019, the Corporation continued to determine the purchase price allocation of Coveris Americas.

  As at January 27, 2019, although the measurement process is already well underway, the Corporation had not yet finalized the fair value measurement of the following main items:
  - intangible assets;
  - real estate leases, and
  - determination of deferred income taxes.

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

5 OPERATING EXPENSES

Operating expenses by major headings are as follows:

	Three months ended	
	January 27, 2019	January 28, 2018
Employee-related costs	**$ 197.5**	$ 135.3
Supply chain and logistics [1]	**413.0**	213.5
Other goods and services [2]	**33.0**	22.0
	$ 643.5	$ 370.8

[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 (GAINS)

Restructuring and other costs (gains) by major headings are as follows:

	Three months ended	
	January 27, 2019	January 28, 2018
Workforce reductions	**$ 3.0**	$ 5.4
Gains related to the sale of certain activities	**—**	(33.7)
Other elements	**0.9**	0.7
Net gains on sale of buildings	**—**	(0.7)
Onerous contracts	**(0.5)**	2.1
Business acquisition costs [1]	**0.1**	0.3
Other acquisition-related costs [2]	**0.9**	—
	$ 4.4	$ (25.9)

[1] 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.

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

7 IMPAIRMENT OF ASSETS

Impairment of assets by major headings is as follows:

	Three months ended	
	January 27, 2019	January 28, 2018
Property, plant and equipment	**$ —**	$ 0.2
Intangible assets	**—**	1.8
	$ —	$ 2.0

During the three-month period ended January 28, 2018, the Corporation recognized an impairment charge for intangible assets of $1.8 million, mainly with respect to costs relating to technology projects in the Media Sector following the sale of its Quebec local and regional newspapers.

8 DEPRECIATION AND AMORTIZATION

Depreciation and amortization by major headings is as follows:

	Three months ended	
	January 27, 2019	January 28, 2018
Property, plant and equipment and investment properties	**$ 29.8**	$ 25.4
Intangible assets	**20.3**	5.8
	50.1	31.2
Intangible assets and other assets, recognized in revenues and operating expenses	**5.3**	6.6
	$ 55.4	$ 37.8

9 NET FINANCIAL EXPENSES

Net financial expenses by major headings are as follows:

	Three months ended	
	January 27, 2019	January 28, 2018
Financial expenses on long-term debt	**$ 16.2**	$ 4.4
Net interest on defined benefit plans asset and liability	**0.6**	0.5
Other expenses (revenues)	**1.0**	(1.3)
Net foreign exchange gains	**(0.1)**	(1.0)
	$ 17.7	$ 2.6

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	
	January 27, 2019	January 28, 2018
Earnings before income taxes	**$ 35.9**	$ 121.0
Canadian statutory tax rate [1]	**26.62 %**	26.72 %
Income taxes at the statutory tax rate	**9.6**	32.3
Effect of differences in tax rates in other jurisdictions	**(2.8)**	(0.7)
Income taxes on non-deductible expenses and non-taxable revenues	**0.9**	(3.4)
Change in deferred tax assets on tax losses or temporary differences not previously recognized	**0.2**	(1.8)
Impact of the U.S. tax reform [2]	**—**	36.6
Other	**(0.1)**	(0.2)
Income taxes at effective tax rate	**$ 7.8**	$ 62.8
Income taxes before the following items:	**$ 13.5**	$ 16.0
Impact of the U.S. tax reform [2]	**—**	36.6
Income taxes on amortization of intangible assets arising from business combinations	**(4.6)**	(1.0)
Income taxes on accelerated recognition of deferred revenues and accelerated depreciation of equipments as part of the agreement with Hearst	**—**	8.7
Income taxes on restructuring and other costs (gains)	**(1.1)**	3.1
Income taxes on impairment of assets	**—**	(0.6)
Income taxes at effective tax rate	**$ 7.8**	$ 62.8

[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 and the Corporation measured its impacts on its earnings. The reform reduces 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 three-month period ended January 28, 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.

11 LONG-TERM DEBT

Term loans
In February 2019, the Corporation entered into interest rate swaps for an amount of US$375.0 millions of its term loans as a hedge against risks related to future fluctuations of interest rates. The Corporation expects to apply cash flow hedge accounting by designating these swaps as hedging instruments.

Credit facility extension
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, for 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%.

As at January 27, 2019, an amount of $137.4 million had been drawn on the Existing Credit Facilities, and the unused amount under the credit facility was $262.6 million.

Hedging instruments
As at January 27, 2019, an amount of US$197.3 million ($262.5 million) of the term loans and credit facility denominated in U.S. dollars had been designated by the Corporation as hedging instruments of its net investments in foreign operations. Consequently, a foreign exchange loss of $3.6 million was reclassified to other comprehensive income.

The Corporation must comply with certain restrictive covenants, including maintaining certain financial ratios. During the three-month period ended January 27, 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 January 27, 2019**	As at October 28, 2018
Deferred revenues		**$ 20.3**	$ 21.8
Accrued liabilities and other liabilities		**24.1**	24.4
Stock-based compensation	15	**8.5**	11.0
Defined benefit liability		**65.1**	63.0
Derivative financial instruments		**0.4**	0.1
		$ 118.4	$ 120.3

13 SHARE CAPITAL

The following table presents changes in the Corporation's share capital for the three-month period ended January 27, 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	300	—
Income taxes on share issuance costs	—	(0.2)
Balance as at January 27, 2019	73,359,754	623.2
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	(300)	—
Balance as at January 27, 2019	13,980,626	19.0
	87,340,380	$ 642.2

Shares 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 three-month period ended January 27, 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 January 27, 2019.

During the three-month period ended January 28, 2018, the Corporation repurchased and cancelled 279,610 of its Class A Subordinate Voting Shares at a weighted average price of $24.59, for a total cash consideration of $6.9 million. The excess of the total consideration paid over the carrying amount of the shares, in the amount of $5.3 million, was applied against retained earnings. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at January 28, 2018.

Dividends

Dividends of $0.21 and $0.20 per share were declared and paid to holders of shares for the three-month periods ended January 27, 2019 and January 28, 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	
	January 27, 2019	January 28, 2018
Numerator		
Net earnings	**$ 28.1**	$ 58.2
Denominator (in millions)		
Weighted average number of shares outstanding - basic	**87.3**	77.5
Dilutive effect of stock options	**0.1**	0.1
Weighted average number of shares - diluted	**87.4**	77.6

As at January 27, 2019 and January 28, 2018, all stock options are included in the calculation of the diluted net earnings per share due to their potential dilutive effect.

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 three-month period ended January 27, 2019:

	Number of units	
	DSU	RSU
Balance as at October 28, 2018	308,035	894,900
Units granted	88,703	361,419
Units cancelled	—	(2,740)
Units paid	—	(354,835)
Dividends paid in units	3,115	5,022
Balance as at January 27, 2019	399,853	903,766

As at January 27, 2019, the liability related to the share unit plan for certain officers and senior executives was $12.3 million ($18.1 million as at October 28, 2018). The expenses recorded in the Consolidated Statements of Earnings for the three-month periods ended January 27, 2019 and January 28, 2018 were $1.5 million and $0.8 million, respectively. Amounts of $7.3 million and $9.7 million were paid under this plan for the three-month periods ended January 27, 2019 and January 28, 2018, respectively.

15 STOCK-BASED COMPENSATION (CONTINUED)

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

The following table presents the changes in the plan's status for the three-month period ended January 27, 2019:

	Number of units
Balance as at October 28, 2018	249,268
Directors' compensation	9,818
Units paid	(20,903)
Dividends paid in units	2,311
Balance as at January 27, 2019	240,494

As at January 27, 2019, the liability related to the share unit plan for directors was $5.3 million ($5.4 million as at October 28, 2018). The expense (gain) recorded in the Consolidated Statements of Earnings for the three-month periods ended January 27, 2019 and January 28, 2018 were $0.4 million and $(0.2) million, respectively. Amounts of $0.5 million and $0.1 million were paid under this plan for the three-month periods ended January 27, 2019 and January 28, 2018, respectively.

16 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Cash flow 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**	**$ 35.5**	**$ (24.9)**	**$ 10.8**
Net change in gains (losses), net of income taxes	**(0.1)**	**11.9**	**(2.3)**	**9.5**
Balance as at January 27, 2019	**$ 0.1**	**$ 47.4**	**$ (27.2)**	**$ 20.3**
Balance as at October 29, 2017	$ 1.0	$ 21.7	$ (28.2)	$ (5.5)
Net change in gains (losses), net of income taxes	0.5	(22.3)	3.7	(18.1)
Balance as at January 28, 2018	$ 1.5	$ (0.6)	$ (24.5)	$ (23.6)

As at January 27, 2019, the amounts expected to be reclassified to net earnings in future years are as follows:

	2019	2020	Total
Net change in the fair value of derivatives designated as cash flow hedges	$ 0.3	$ (0.2)	$ 0.1
Income taxes	0.1	(0.1)	—
	$ 0.2	$ (0.1)	$ 0.1

16 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (CONTINUED)

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	
	January 27, 2019	January 28, 2018
Actuarial losses on obligation - change in discount rate	**$ (19.2)**	$ —
Actuarial gains on plan assets - excluding interest income	**16.0**	5.2
Effect of the asset ceiling	**0.1**	0.2
	$ (3.1)	$ 5.4

Actuarial losses on obligation recognized in the Statements of Comprehensive Income for the three-month period ended January 27, 2019 are explained by the change in the discount rate, which decreased from 3.9% as at October 28, 2018 to 3.7% as at January 27, 2019 in Canada, and from 4.50% as at October 28, 2018 to 4.30% as at January 27, 2019 in the United States. Actuarial gains on plan assets are attributable to the fact that actual rates of return on assets were greater than expected returns for the three-month period ended January 27, 2019.

The absence of changes in actuarial gains on obligation recognized in Statements of Comprehensive Income for the three-month period ended January 28, 2018 are explained by the fact that the discount rate did not change between October 29, 2017 and January 28, 2018, remaining at 3.6%. Actuarial gains on plan assets are attributable to the fact that actual rates of return on assets were greater than expected returns for the three-month period ended January 28, 2018.

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, 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

17 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	As at January 27, 2019		As at October 28, 2018	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Foreign exchange forward contracts in assets	**$ 1.2**	**$ 1.2**	$ 1.7	$ 1.7
Contingent considerations	**(15.8)**	**(15.8)**	(15.6)	(15.6)
Long-term debt	**(1,508.0)**	**(1,478.3)**	(1,472.6)	(1,461.0)
Foreign exchange forward contracts in liabilities	**(1.2)**	**(1.2)**	(0.7)	(0.7)

These financial instruments are classified in Level 2 of the fair value hierarchy, except for the contingent considerations payable with respect to business combinations, which are classified in Level 3. For the three-month period ended January 27, 2019, no financial instruments were transferred between Levels 1, 2 and 3.

Sensitivity analysis of the Level 3 financial instruments
As at January 27, 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 $5.7 million. A 10% decrease in expected financial performance thresholds would have resulted in an increase in net earnings of $8.3 million.

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

	January 27, 2019
Balance, beginning of period	**$ (15.6)**
Exchange rate change	**(0.2)**
Balance, end of period	**$ (15.8)**