

## **Transcontinental Inc. Announces Results for the First Quarter of Fiscal 2023**

### **Highlights**

- Increase in adjusted operating earnings before depreciation and amortization in the Packaging Sector more than offset by a slowdown in the Printing Sector.
- Revenues of \$707.0 million for the quarter ended January 29, 2023; operating earnings of \$15.0 million; and net earnings attributable to shareholders of the Corporation of \$1.0 million (\$0.01 per share).
- Adjusted operating earnings before depreciation and amortization<sup>(1)</sup> of \$84.1 million for the quarter ended January 29, 2023; adjusted operating earnings<sup>(1)</sup> of \$41.8 million; and adjusted net earnings attributable to shareholders of the Corporation<sup>(1)</sup> of \$21.1 million (\$0.24 per share).
- Implemented initiatives generating savings of over \$15.0 million in fiscal 2023.
- Maintained the quarterly dividend at \$0.225 per share (\$0.90 per year).
- Entered into an outsourcing agreement with Metroland to print several newspapers and extended the current printing agreement for two daily newspapers, including the *Toronto Star*, and four community publications to the end of 2027.

(1) Please refer to the section entitled "Non-IFRS Financial Measures" in this press release for a definition of these measures.

**Montréal, March 8, 2023** - Transcontinental Inc. (TSX: TCL.A TCL.B) announces its results for the first quarter of fiscal 2023, which ended January 29, 2023.

"Increased profit in our Packaging Sector for the quarter was more than offset by the impact of lower volume in our Printing Sector, said Peter Brues, President and Chief Executive Officer of TC Transcontinental. In this context, I appreciate the speed with which both sectors implemented cost saving measures.

"Our Packaging Sector recorded solid growth in adjusted profit, continuing to build on the momentum of the previous quarters. All our segments delivered improved profit in the quarter except our Latin American operations which experienced continued volume pressures. We expect that our focus on developing sustainable products and commitment to an improved cost position will support continued improvement.

"In our Printing Sector, volume decreased significantly in the quarter. Our team has a solid track record of adjusting our cost structure and has already implemented measures to mitigate the impact of lower demand. We are seeing the early benefits of our actions and we will continue to adjust as necessary.

"Our financial position is solid thanks to our ability to generate significant cash flows and having no major debt maturities until 2025. We remain focused on our disciplined approach to profitable growth while maintaining our dividend and reducing our net debt."

## Financial Highlights

(in millions of dollars, except per share amounts)	Q1-2023 13 weeks	Q1-2022 13 weeks	Variation in %
Revenues	\$707.0	\$690.6	2.4 %
Operating earnings before depreciation and amortization	75.9	90.7	(16.3)
Adjusted operating earnings before depreciation and amortization <sup>(1)</sup>	84.1	89.0	(5.5)
Operating earnings	15.0	33.8	(55.6)
Adjusted operating earnings <sup>(1)</sup>	41.8	49.3	(15.2)
Net earnings attributable to shareholders of the Corporation	1.0	18.4	(94.6)
Net earnings attributable to shareholders of the Corporation per share	0.01	0.21	(95.2)
Adjusted net earnings attributable to shareholders of the Corporation <sup>(1)</sup>	21.1	30.0	(29.7)
Adjusted net earnings attributable to shareholders of the Corporation per share <sup>(1)</sup>	0.24	0.35	(31.4)

(1) Please refer to the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Press release for adjusted data presented above.

### 2023 First Quarter Results

Revenues increased by \$16.4 million, or 2.4%, from \$690.6 million in the first quarter of 2022 to \$707.0 million in the corresponding period of 2023. This increase is primarily attributable to the favourable exchange rate effect, mainly in the Packaging Sector, and the acquisitions of Éditions du nouveau pédagogique Inc. ("ERPI"), Banaplast S.A.S. ("Banaplast") and Scolab Inc. ("Scolab"). These factors were partially offset by the organic decline in the Printing Sector.

Operating earnings before depreciation and amortization decreased by \$14.8 million, or 16.3%, from \$90.7 million in the first quarter of 2022 to \$75.9 million in the first quarter of 2023. Adjusted operating earnings before depreciation and amortization decreased by \$4.9 million, or 5.5%, from \$89.0 million in the first quarter of 2022 to \$84.1 million in the first quarter of 2023. These decreases are mainly due to lower volume in the Printing Sector, partially offset by the organic growth in adjusted operating earnings before depreciation and amortization in the Packaging Sector, the favourable exchange rate effect, the favourable impact of the stock-based compensation expense, and, to a lesser extent, the acquisitions of ERPI, Banaplast and Scolab. Lastly, the increase in restructuring and other costs had a negative impact on operating earnings before depreciation and amortization.

Net earnings attributable to shareholders of the Corporation decreased by \$17.4 million, from \$18.4 million in the first quarter of 2022 to \$1.0 million in the first quarter of 2023. This decrease is mainly due to the previously explained decline in operating earnings before depreciation and amortization as well as higher financial expenses, partially offset by lower income taxes. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.21 to \$0.01, respectively.

Adjusted net earnings attributable to shareholders of the Corporation decreased by \$8.9 million, or 29.7%, from \$30.0 million in the first quarter of 2022 to \$21.1 million in the first quarter of 2023. This decrease is due to the previously explained decline in adjusted operating earnings before depreciation and amortization as well as higher financial expenses, partially offset by lower income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$0.35 to \$0.24, respectively.

## Outlook

In the Packaging Sector, as a result of investing in new production equipment, signing new contracts and introducing new products to the market, we expect organic volume growth. In terms of profitability, we expect an increase in adjusted operating earnings before depreciation and amortization for fiscal year 2023 compared to fiscal year 2022. The economic environment could however affect short-term demand.

In the Printing Sector, we expect volume growth in our book printing and in-store marketing activities. The transfer of cost increases should however have a negative impact on volume, notably in our retail flyer printing and distribution activities. This anticipated volume reduction, combined with the effect of inflationary pressures, should result in lower adjusted operating earnings before depreciation and amortization for fiscal year 2023 compared to fiscal year 2022. We expect this decrease to be partially offset by the implementation of cost saving initiatives.

Finally, we expect to continue generating significant cash flows from operating activities, which will enable us to continue our strategic investments while maintaining our dividend and reducing our net indebtedness.

## Non-IFRS Financial Measures

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 press release, we also use certain 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 the section entitled "Reconciliation of Non-IFRS Financial Measures" and in Note 3, "Segmented Information", to the unaudited interim condensed consolidated financial statements for the first quarter ended January 29, 2023.

Terms Used	Definitions
Adjusted operating earnings before depreciation and amortization	Operating earnings before depreciation and amortization as well as restructuring and other costs (revenues) and impairment of assets.
Adjusted operating earnings	Operating earnings before restructuring and other costs (revenues), amortization of intangible assets arising from business combinations and impairment of assets.
Adjusted income taxes	Income taxes before income taxes on restructuring and other costs (revenues), impairment of assets, amortization of intangible assets arising from business combinations as well as the adjustment on additional income taxes in other jurisdictions resulting from a prior year and the tax impact of an internal reorganization.
Adjusted net earnings attributable to shareholders of the Corporation	Net earnings attributable to shareholders of the Corporation before restructuring and other costs (revenues), amortization of intangible assets arising from business combinations and impairment of assets, net of related income taxes as well as the adjustment on additional income taxes in other jurisdictions resulting from a prior year and the tax impact of an internal reorganization.
Net indebtedness	Total of long-term debt, of current portion of long-term debt, of lease liabilities and of current portion of lease liabilities, less cash.
Net indebtedness ratio	Net indebtedness divided by the last 12 months' adjusted operating earnings before depreciation and amortization.

## Reconciliation of Non-IFRS Financial Measures

The financial information has been prepared in accordance with IFRS. However, financial measures used, namely adjusted operating earnings before depreciation and amortization, adjusted operating earnings, adjusted income taxes, adjusted net earnings attributable to shareholders of the Corporation, adjusted net earnings attributable to shareholders of the Corporation per share, net indebtedness and 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.

The Corporation also believes that these measures are useful indicators of the performance of its operations and its ability to meet its financial obligations. Furthermore, management also uses some of these non-IFRS financial measures to assess the performance of its activities and managers.

**Reconciliation of operating earnings - First quarter**

(in millions of dollars)	Three months ended	
	January 29, 2023	January 30, 2022
<b>Operating earnings</b>	<b>\$15.0</b>	<b>\$33.8</b>
Restructuring and other costs (revenues)	8.2	(1.7)
Amortization of intangible assets arising from business combinations <sup>(1)</sup>	18.6	17.2
<b>Adjusted operating earnings</b>	<b>\$41.8</b>	<b>\$49.3</b>
Depreciation and amortization <sup>(2)</sup>	42.3	39.7
<b>Adjusted operating earnings before depreciation and amortization</b>	<b>\$84.1</b>	<b>\$89.0</b>

(1) Intangible assets arising from business combinations include our customer relationships, trademarks, non-compete agreements, rights of first refusal and educational book titles.

(2) Depreciation and amortization excludes the amortization of intangible assets arising from business combinations.

**Reconciliation of operating earnings - First quarter for the Packaging Sector**

(in millions of dollars)	Three months ended	
	January 29, 2023	January 30, 2022
<b>Operating earnings</b>	<b>\$4.2</b>	<b>\$6.0</b>
Restructuring and other costs (revenues)	4.0	(2.9)
Amortization of intangible assets arising from business combinations <sup>(1)</sup>	16.0	15.2
<b>Adjusted operating earnings</b>	<b>\$24.2</b>	<b>\$18.3</b>
Depreciation and amortization <sup>(2)</sup>	22.4	20.6
<b>Adjusted operating earnings before depreciation and amortization</b>	<b>\$46.6</b>	<b>\$38.9</b>

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

(2) Depreciation and amortization excludes the amortization of intangible assets arising from business combinations.

**Reconciliation of operating earnings - First quarter for the Printing Sector**

(in millions of dollars)	Three months ended	
	January 29, 2023	January 30, 2022
<b>Operating earnings</b>	<b>\$22.0</b>	<b>\$39.3</b>
Restructuring and other costs	3.2	1.0
Amortization of intangible assets arising from business combinations <sup>(1)</sup>	2.1	2.0
<b>Adjusted operating earnings</b>	<b>\$27.3</b>	<b>\$42.3</b>
Depreciation and amortization <sup>(2)</sup>	13.3	14.5
<b>Adjusted operating earnings before depreciation and amortization</b>	<b>\$40.6</b>	<b>\$56.8</b>

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

(2) Depreciation and amortization excludes the amortization of intangible assets arising from business combinations.

**Reconciliation of operating earnings - First quarter for the Other Sector**

(in millions of dollars)	Three months ended	
	January 29, 2023	January 30, 2022
<b>Operating earnings</b>	<b>(\$11.2)</b>	<b>(\$11.5)</b>
Restructuring and other costs	1.0	0.2
Amortization of intangible assets arising from business combinations <sup>(1)</sup>	0.5	—
<b>Adjusted operating earnings</b>	<b>(\$9.7)</b>	<b>(\$11.3)</b>
Depreciation and amortization <sup>(2)</sup>	6.6	4.6
<b>Adjusted operating earnings before depreciation and amortization</b>	<b>(\$3.1)</b>	<b>(\$6.7)</b>

(1) Intangible assets arising from business combinations include our trademarks, non-compete agreements, rights of first refusal and educational book titles.

(2) Depreciation and amortization excludes the amortization of intangible assets arising from business combinations.

**Reconciliation of net earnings attributable to shareholders of the Corporation - First quarter**

(in millions of dollars, except per share amounts)	Three months ended	
	January 29, 2023	January 30, 2022
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>\$1.0</b>	<b>\$18.4</b>
Restructuring and other costs (revenues)	8.2	(1.7)
Tax on restructuring and other costs (revenues)	(2.1)	0.4
Amortization of intangible assets arising from business combinations <sup>(1)</sup>	18.6	17.2
Tax on amortization of intangible assets arising from business combinations	(4.6)	(4.3)
<b>Adjusted net earnings attributable to shareholders of the Corporation</b>	<b>\$21.1</b>	<b>\$30.0</b>
<b>Net earnings attributable to shareholders of the Corporation per share</b>	<b>\$0.01</b>	<b>\$0.21</b>
<b>Adjusted net earnings attributable to shareholders of the Corporation per share</b>	<b>\$0.24</b>	<b>\$0.35</b>
Weighted average number of shares outstanding	86.6	86.9

(1) Intangible assets arising from business combinations include our customer relationships, trademarks, non-compete agreements, rights of first refusal and educational book titles.

**Reconciliation of net indebtedness**

(in millions of dollars, except ratios)	As at January 29, 2023	As at October 30, 2022
Long-term debt	\$1,013.9	\$979.3
Current portion of long-term debt	22.2	10.7
Lease liabilities	128.4	135.0
Current portion of lease liabilities	24.3	25.3
Cash	(25.2)	(45.7)
<b>Net indebtedness</b>	<b>\$1,163.6</b>	<b>\$1,104.6</b>
Adjusted operating earnings before depreciation and amortization (last 12 months)	\$441.8	\$446.7
<b>Net indebtedness ratio</b>	<b>2.63 x</b>	<b>2.47 x</b>

## **Dividend**

As a result of the solid financial position of the Corporation and its confidence in its ability to generate significant cash flows, the quarterly dividend is maintained at \$0.225 per share despite the risks associated with the economic environment.

The Corporation's Board of Directors declared a quarterly dividend of \$0.225 per share on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on April 17, 2023 to shareholders of record at the close of business on March 30, 2023.

## **Normal Course Issuer Bid**

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

During the first quarter of 2023, the Corporation did not repurchase any of its Class A Subordinate Voting Shares or Class B shares. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at January 29, 2023.

## **Additional information**

### **Conference Call**

Upon releasing its 2023 first quarter results, the Corporation will hold a conference call for the financial community on March 8, 2023 at 4:15 p.m. The dial-in numbers are 1-416-764-8646 or 1-888-396-8049. 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 the leading Canadian French-language educational publishing group. For over 45 years, TC Transcontinental's mission has been to create quality products and services that allow businesses to attract, reach and retain their target customers.

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

Transcontinental Inc. (TSX: TCL.A TCL.B), known as TC Transcontinental, has over 8,000 employees, the majority of which are based in Canada, the United States and Latin America. TC Transcontinental generated revenues of C\$3.0 billion during the fiscal year ended October 30, 2022. For more information, visit TC Transcontinental's website at [www.tc.tc](http://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 impact of digital product development and adoption on the demand for retailer-related services and printed products, the global economic environment, including inflation and recession risks and disruptions in the supply chain, the Corporation's ability to generate organic growth in highly competitive industries, the Corporation's ability to complete acquisitions and properly integrate them, the inability to maintain or improve operational efficiency and avoid disruptions that could affect its ability to meet deadlines, raw materials, transportation and consumed energy costs, availability of raw materials, the impact of a pandemic, an epidemic or an outbreak of an infectious disease on the Corporation's operations, operating results and financial position, cybersecurity and data protection, recruiting and retaining qualified personnel, the political and social environment as well as regulatory and legislative changes, in particular with regard to the environment or door-to-door distribution and use of plastic, changes in consumption habits related, in particular, to issues involving sustainable development and the use of certain products or services such as door-to-door distribution, loss of a major customer, customer consolidation, structural changes in the industries in which the Corporation operates, the safety and quality of its packaging products used in the food industry, the impact of economic cycles on product demand, data confidentiality, the protection of its intellectual property rights, bad debts from certain customers, import and export controls, exchange rate fluctuations, interest rates and availability of capital at a reasonable cost, litigation and respect of privacy, the impact of major market fluctuations on the solvency of defined benefit pension plans, taxation, including changes in tax legislation that could adversely affect profitability, disputes with tax authorities or amendments to statutory rates in force, and results of impairment tests on the value of assets. 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 30, 2022 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 entered into after the date of March 8, 2023. 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 March 8, 2023. 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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For information:

### Media

Nathalie St-Jean  
Senior Advisor, Corporate Communications  
TC Transcontinental  
Telephone: 514-954-3581  
[nathalie.st-jean@tc.tc](mailto:nathalie.st-jean@tc.tc)  
[www.tc.tc](http://www.tc.tc)

### Financial Community

Yan Lapointe  
Director, Investor Relations and Treasury  
TC Transcontinental  
Telephone: 514-954-3574  
[yan.lapointe@tc.tc](mailto:yan.lapointe@tc.tc)  
[www.tc.tc](http://www.tc.tc)



## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the first quarter ended January 29, 2023

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 29, 2023. It should be read in conjunction with the information in the unaudited condensed interim consolidated financial statements and the accompanying notes. Additional information relating to the Corporation, including its *Annual Report* and *Annual Information Form*, may also be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).

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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 29, 2023. 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 operating earnings before depreciation and amortization	Operating earnings before depreciation and amortization as well as restructuring and other costs (revenues) and impairment of assets.
Adjusted operating earnings margin before depreciation and amortization	Adjusted operating earnings before depreciation and amortization divided by revenues.
Adjusted operating earnings	Operating earnings before restructuring and other costs (revenues), amortization of intangible assets arising from business combinations and impairment of assets.
Adjusted operating earnings margin	Adjusted operating earnings divided by revenues.
Adjusted income taxes	Income taxes before income taxes on restructuring and other costs (revenues), impairment of assets, amortization of intangible assets arising from business combinations as well as the adjustment on additional income taxes in other jurisdictions resulting from a prior year and the tax impact of an internal reorganization.
Adjusted net earnings attributable to shareholders of the Corporation	Net earnings attributable to shareholders of the Corporation before restructuring and other costs (revenues), amortization of intangible assets arising from business combinations and impairment of assets, net of related income taxes as well as the adjustment on additional income taxes in other jurisdictions resulting from a prior year and the tax impact of an internal reorganization.
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Net indebtedness ratio	Net indebtedness divided by the last 12 months' adjusted operating earnings before depreciation and amortization.

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

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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 March 8, 2023.

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 March 8, 2023. 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 the leading Canadian French-language educational publishing group. For over 45 years, TC Transcontinental's mission has been to create quality products and services that allow businesses to attract, reach and retain their target customers.

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## HIGHLIGHTS

Table #1:

(in millions of dollars, except per share amounts)	Q1-2023 13 weeks	Q1-2022 13 weeks	Variation in %
Revenues	\$707.0	\$690.6	2.4 %
Operating earnings before depreciation and amortization	75.9	90.7	(16.3)
Adjusted operating earnings before depreciation and amortization <sup>(1)</sup>	84.1	89.0	(5.5)
Operating earnings	15.0	33.8	(55.6)
Adjusted operating earnings <sup>(1)</sup>	41.8	49.3	(15.2)
Net earnings attributable to shareholders of the Corporation	1.0	18.4	(94.6)
Net earnings attributable to shareholders of the Corporation per share	0.01	0.21	(95.2)
Adjusted net earnings attributable to shareholders of the Corporation <sup>(1)</sup>	21.1	30.0	(29.7)
Adjusted net earnings attributable to shareholders of the Corporation per share <sup>(1)</sup>	0.24	0.35	(31.4)

(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.

- Increase in adjusted operating earnings before depreciation and amortization in the Packaging Sector more than offset by a slowdown in the Printing Sector.
- Revenues of \$707.0 million for the quarter ended January 29, 2023; operating earnings of \$15.0 million; and net earnings attributable to shareholders of the Corporation of \$1.0 million (\$0.01 per share).
- Adjusted operating earnings before depreciation and amortization of \$84.1 million for the quarter ended January 29, 2023; adjusted operating earnings of \$41.8 million; and adjusted net earnings attributable to shareholders of the Corporation of \$21.1 million (\$0.24 per share).
- Implemented initiatives generating savings of over \$15.0 million in fiscal 2023.
- Maintained the quarterly dividend at \$0.225 per share (\$0.90 per year).
- Entered into an outsourcing agreement with Metroland to print several newspapers and extended the current printing agreement for two daily newspapers, including the *Toronto Star*, and four community publications to the end of 2027.

## PREAMBLE - Economic environment

The economic environment remains tied to geopolitical events. Consumers and businesses around the world continue to be affected by rising energy and raw materials prices, as well as inflation. In order to control inflation, several central banks have tightened their monetary policies, which has an impact on interest rates and foreign currency exchange rates.

The Corporation's activities are exposed to a variety of market risks which may adversely impact the Corporation's results of operations and financial position, including economic cycles, inflation, and changes in interest and foreign currency exchange rates. A recession could exert pressure on the Corporation's investment activities, its customers as well as product demand by its customers. These items could have an adverse impact on the Corporation's net earnings. Management takes an active role in the risk management process, but these actions may not fully insulate the Corporation from adverse impacts of market risks.

## RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

(unaudited)

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

The Corporation also believes that these measures are useful indicators of the performance of its operations and its ability to meet its financial obligations. Furthermore, management also uses some of these non-IFRS financial measures to assess the performance of its activities and managers.

**Table #2:**

### Reconciliation of operating earnings - First quarter

(in millions of dollars)	Three months ended	
	January 29, 2023	January 30, 2022
<b>Operating earnings</b>	<b>\$15.0</b>	\$33.8
Restructuring and other costs (revenues)	8.2	(1.7)
Amortization of intangible assets arising from business combinations <sup>(1)</sup>	18.6	17.2
<b>Adjusted operating earnings</b>	<b>\$41.8</b>	\$49.3
Depreciation and amortization <sup>(2)</sup>	42.3	39.7
<b>Adjusted operating earnings before depreciation and amortization</b>	<b>\$84.1</b>	\$89.0

(1) Intangible assets arising from business combinations include our customer relationships, trademarks, non-compete agreements, rights of first refusal and educational book titles.

(2) Depreciation and amortization excludes the amortization of intangible assets arising from business combinations.

### Reconciliation of operating earnings - First quarter for the Packaging Sector

(in millions of dollars)	Three months ended	
	January 29, 2023	January 30, 2022
<b>Operating earnings</b>	<b>\$4.2</b>	\$6.0
Restructuring and other costs (revenues)	4.0	(2.9)
Amortization of intangible assets arising from business combinations <sup>(1)</sup>	16.0	15.2
<b>Adjusted operating earnings</b>	<b>\$24.2</b>	\$18.3
Depreciation and amortization <sup>(2)</sup>	22.4	20.6
<b>Adjusted operating earnings before depreciation and amortization</b>	<b>\$46.6</b>	\$38.9

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

(2) Depreciation and amortization excludes the amortization of intangible assets arising from business combinations.

### Reconciliation of operating earnings - First quarter for the Printing Sector

(in millions of dollars)	Three months ended	
	January 29, 2023	January 30, 2022
<b>Operating earnings</b>	<b>\$22.0</b>	\$39.3
Restructuring and other costs	3.2	1.0
Amortization of intangible assets arising from business combinations <sup>(1)</sup>	2.1	2.0
<b>Adjusted operating earnings</b>	<b>\$27.3</b>	\$42.3
Depreciation and amortization <sup>(2)</sup>	13.3	14.5
<b>Adjusted operating earnings before depreciation and amortization</b>	<b>\$40.6</b>	\$56.8

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

(2) Depreciation and amortization excludes the amortization of intangible assets arising from business combinations.

### Reconciliation of operating earnings - First quarter for the Other Sector

(in millions of dollars)	Three months ended	
	January 29, 2023	January 30, 2022
<b>Operating earnings</b>	<b>(\$11.2)</b>	(\$11.5)
Restructuring and other costs	1.0	0.2
Amortization of intangible assets arising from business combinations <sup>(1)</sup>	0.5	—
<b>Adjusted operating earnings</b>	<b>(\$9.7)</b>	(\$11.3)
Depreciation and amortization <sup>(2)</sup>	6.6	4.6
<b>Adjusted operating earnings before depreciation and amortization</b>	<b>(\$3.1)</b>	(\$6.7)

(1) Intangible assets arising from business combinations include our trademarks, non-compete agreements, rights of first refusal and educational book titles.

(2) Depreciation and amortization excludes the amortization of intangible assets arising from business combinations.

### Reconciliation of operating earnings - Last eight quarters

(in millions of dollars)	2023		2022		2021			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<b>Operating earnings</b>	<b>\$ 15.0</b>	\$ 85.3	\$ 52.1	\$ 46.1	<b>\$ 33.8</b>	\$ 80.5	\$ 50.2	\$ 55.9
Restructuring and other costs (revenues)	8.2	(4.6)	3.0	0.8	(1.7)	6.6	0.8	0.5
Amortization of intangible assets arising from business combinations <sup>(1)</sup>	18.6	18.4	17.5	17.2	17.2	17.1	16.4	16.2
Impairment of assets	—	—	—	—	—	0.7	—	—
<b>Adjusted operating earnings</b>	<b>\$ 41.8</b>	\$ 99.1	\$ 72.6	\$ 64.1	<b>\$ 49.3</b>	\$ 104.9	\$ 67.4	\$ 72.6
Depreciation and amortization <sup>(2)</sup>	42.3	42.0	40.4	39.5	39.7	38.2	36.8	36.8
<b>Adjusted operating earnings before depreciation and amortization</b>	<b>\$ 84.1</b>	\$ 141.1	\$ 113.0	\$ 103.6	<b>\$ 89.0</b>	\$ 143.1	\$ 104.2	\$ 109.4

(1) Intangible assets arising from business combinations include our customer relationships, trademarks, non-compete agreements, rights of first refusal and educational book titles.

(2) Depreciation and amortization excludes the amortization of intangible assets arising from business combinations.

**Reconciliation of net earnings attributable to shareholders of the Corporation - First quarter**

(in millions of dollars, except per share amounts)	Three months ended	
	January 29, 2023	January 30, 2022
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>\$1.0</b>	\$18.4
Restructuring and other costs (revenues)	8.2	(1.7)
Tax on restructuring and other costs (revenues)	(2.1)	0.4
Amortization of intangible assets arising from business combinations <sup>(1)</sup>	18.6	17.2
Tax on amortization of intangible assets arising from business combinations	(4.6)	(4.3)
<b>Adjusted net earnings attributable to shareholders of the Corporation</b>	<b>\$21.1</b>	\$30.0
<b>Net earnings attributable to shareholders of the Corporation per share</b>	<b>\$0.01</b>	\$0.21
<b>Adjusted net earnings attributable to shareholders of the Corporation per share</b>	<b>\$0.24</b>	\$0.35
Weighted average number of shares outstanding	86.6	86.9

(1) Intangible assets arising from business combinations include our customer relationships, trademarks, non-compete agreements, rights of first refusal and educational book titles.

**Reconciliation of net earnings attributable to shareholders of the Corporation - Last eight quarters**

(in millions of dollars, except per share amounts)	2023		2022		2021			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>\$ 1.0</b>	\$ 60.4	\$ 34.1	\$ 28.3	<b>\$ 18.4</b>	\$ 39.2	\$ 28.1	\$ 35.6
Restructuring and other costs (revenues)	8.2	(4.6)	3.0	0.8	(1.7)	6.6	0.8	0.5
Tax on restructuring and other costs (revenues)	(2.1)	(1.3)	(0.7)	(0.4)	0.4	(1.4)	(0.4)	(0.6)
Amortization of intangible assets arising from business combinations <sup>(1)</sup>	18.6	18.4	17.5	17.2	17.2	17.1	16.4	16.2
Tax on amortization of intangible assets arising from business combinations	(4.6)	(4.5)	(4.3)	(4.2)	(4.3)	(1.8)	(4.0)	(3.9)
Impairment of assets	—	—	—	—	—	0.7	—	—
Tax on impairment of assets	—	—	—	—	—	(0.2)	—	—
Adjustment on additional taxes in other jurisdictions	—	—	—	—	—	(0.3)	3.3	—
Tax impact of an internal reorganization	—	—	—	—	—	10.7	—	—
<b>Adjusted net earnings attributable to shareholders of the Corporation</b>	<b>\$ 21.1</b>	\$ 68.4	\$ 49.6	\$ 41.7	<b>\$ 30.0</b>	\$ 70.6	\$ 44.2	\$ 47.8
<b>Net earnings attributable to shareholders of the Corporation per share</b>	<b>\$ 0.01</b>	\$ 0.70	\$ 0.39	\$ 0.33	<b>\$ 0.21</b>	\$ 0.45	\$ 0.32	\$ 0.41
<b>Adjusted net earnings attributable to shareholders of the Corporation per share</b>	<b>\$ 0.24</b>	\$ 0.79	\$ 0.57	\$ 0.48	<b>\$ 0.35</b>	\$ 0.81	\$ 0.51	\$ 0.55
Weighted average number of shares outstanding	86.6	86.6	86.6	86.8	86.9	87.0	87.0	87.0

(1) Intangible assets arising from business combinations include our customer relationships, trademarks, non-compete agreements, rights of first refusal and educational book titles.

**Reconciliation of net indebtedness**

(in millions of dollars, except ratios)	As at January 29, 2023	As at October 30, 2022
Long-term debt	\$1,013.9	\$979.3
Current portion of long-term debt	22.2	10.7
Lease liabilities	128.4	135.0
Current portion of lease liabilities	24.3	25.3
Cash	(25.2)	(45.7)
<b>Net indebtedness</b>	<b>\$1,163.6</b>	\$1,104.6
Adjusted operating earnings before depreciation and amortization (last 12 months)	\$441.8	\$446.7
<b>Net indebtedness ratio</b>	<b>2.63 x</b>	2.47 x

## ANALYSIS OF CONSOLIDATED RESULTS - FIRST QUARTER

### Revenues

Revenues increased by \$16.4 million, or 2.4%, from \$690.6 million in the first quarter of 2022 to \$707.0 million in the corresponding period of 2023. This increase is mainly attributable to the favourable exchange rate effect mainly in the Packaging Sector, and the acquisitions of Éditions du nouveau pédagogique Inc. ("ERPI"), Banaplast S.A.S. ("Banaplast") and Scolab Inc. ("Scolab"). These factors were partially mitigated by the organic decline in the Printing Sector. A more detailed analysis of revenues is presented in the section "Analysis of Sector Results - First quarter".

### Operating and Other Expenses

Operating expenses increased by \$21.3 million, or 3.5%, in the first quarter of 2023 compared to the corresponding period of 2022. This increase is mainly due to the unfavourable exchange rate effect, the impact of inflation on the cost structure and our recent acquisitions, partially offset by our cost reduction initiatives.

Restructuring and other costs increased by \$9.9 million, from a revenue of \$1.7 million in the first quarter of 2022 to an expense of \$8.2 million in the first quarter of 2023. This unfavourable change results mainly from the increase in workforce reduction costs related to cost reduction initiatives in the Printing and Packaging Sectors, and a net gain related to insurance proceeds receivable for the replacement of equipment destroyed by a fire in the Packaging Sector in the first quarter of 2022.

### Operating Earnings before Depreciation and Amortization

Operating earnings before depreciation and amortization decreased by \$14.8 million, or 16.3%, from \$90.7 million in the first quarter of 2022 to \$75.9 million in the first quarter of 2023. The decrease in operating earnings before depreciation and amortization is chiefly due to the organic decline mainly related to lower volume in the Printing Sector, and the increase in restructuring and other costs. These factors were partially offset by the organic growth in operating earnings before depreciation and amortization in the Packaging Sector, the favourable exchange rate effect, the favourable impact of the stock-based compensation expense, and, to a lesser extent, the acquisitions of ERPI, Banaplast and Scolab.

Adjusted operating earnings before depreciation and amortization decreased by \$4.9 million, or 5.5%, from \$89.0 million in the first quarter of 2022 to \$84.1 million in the first quarter of 2023. A more detailed analysis of adjusted operating earnings is presented in the section "Analysis of Sector Results - First Quarter".

### Depreciation and Amortization

Depreciation and amortization increased by \$4.0 million, from \$56.9 million in the first quarter of 2022 to \$60.9 million in the first quarter of 2023. This increase is mostly due to the unfavourable exchange rate effect and the acquisitions in the Media Sector.

### Net Financial Expenses

Net financial expenses increased by \$6.9 million, from \$9.8 million in the first quarter of 2022 to \$16.7 million in the first quarter of 2023. This unfavourable change is mainly explained by the increase in exchange rates, increase in net indebtedness and increase in interest rates.

### Income Taxes

Income taxes decreased by \$8.6 million, from \$5.7 million in the first quarter of 2022 to a tax recovery of \$2.9 million in the first quarter of 2023. This decrease is mainly attributable to lower earnings before income taxes.

Adjusted income taxes decreased by \$5.8 million, from \$9.6 million in the first quarter of 2022, for an effective tax rate of 24.3%, to \$3.8 million in the first quarter of 2023, for an effective tax rate of 15.1%. This decrease in the effective tax rate is attributable to the geographic distribution of earnings before income taxes, differences between the accounting and tax treatments that had a favorable impact in 2023 and an unfavourable adjustment relating to prior years in 2022.

### Net Earnings Attributable to Shareholders of the Corporation

Net earnings attributable to shareholders of the Corporation decreased by \$17.4 million, from \$18.4 million in the first quarter of 2022 to \$1.0 million in the first quarter of 2023. This decrease is mainly due to the previously explained decline in operating earnings and higher financial expenses, partially mitigated by lower income taxes. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$0.21 to \$0.01, respectively.

Adjusted net earnings attributable to shareholders of the Corporation decreased by \$8.9 million, or 29.7%, from \$30.0 million in the first quarter of 2022 to \$21.1 million in the first quarter of 2023. This decrease is due to the previously explained decline in adjusted operating earnings and higher financial expenses, partially mitigated by lower income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$0.35 to \$0.24, respectively.

## ANALYSIS OF SECTOR RESULTS - FIRST QUARTER

(unaudited)

**Table #3:**

(in millions of dollars)	Packaging	Printing	Other	Consolidated results
<b>Revenues - First quarter of 2022</b>	<b>\$384.0</b>	<b>\$295.4</b>	<b>\$11.2</b>	<b>\$690.6</b>
Acquisitions	1.6	—	5.9	7.5
Existing operations				
Exchange rate effect	20.4	1.1	—	21.5
Organic growth (decline)	(0.3)	(10.3)	(2.0)	(12.6)
<b>Revenues - First quarter of 2023</b>	<b>\$405.7</b>	<b>\$286.2</b>	<b>\$15.1</b>	<b>\$707.0</b>
<b>Adjusted operating earnings before depreciation and amortization <sup>(1)</sup> - First quarter of 2022</b>	<b>\$38.9</b>	<b>\$56.8</b>	<b>\$(6.7)</b>	<b>\$89.0</b>
Acquisitions	0.6	—	1.0	1.6
Existing operations				
Exchange rate effect	2.8	0.1	0.2	3.1
Stock-based compensation	—	—	2.5	2.5
Organic growth (decline)	4.3	(16.3)	(0.1)	(12.1)
<b>Adjusted operating earnings before depreciation and amortization <sup>(1)</sup> - First quarter of 2023</b>	<b>\$46.6</b>	<b>\$40.6</b>	<b>\$(3.1)</b>	<b>\$84.1</b>

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

### Packaging Sector

Packaging Sector revenues increased by \$21.7 million, or 5.7%, from \$384.0 million in the first quarter of 2022 to \$405.7 million in the first quarter of 2023. This increase is mainly attributable to the favourable exchange rate effect and the positive impact of the increase in prices, partially mitigated by a decrease in volume mainly due to continued pressures in Latin America and customer destocking.

Adjusted operating earnings before depreciation and amortization increased by \$7.7 million, or 19.8%, from \$38.9 million in the first quarter of 2022 to \$46.6 million in the first quarter of 2023. This increase is mainly explained by the positive impact of the contractual transfer of raw material prices, the impact of the non-contractual increase in prices due to the current inflationary situation and the favourable exchange rate effect. The sector's adjusted operating earnings margin before depreciation and amortization increased slightly from 10.1% in the first quarter of 2022 to 11.5% in the first quarter of 2023, mainly as a result of the above-mentioned items.

### Printing Sector

Printing Sector revenues decreased by \$9.2 million, or 3.1%, from \$295.4 million in the first quarter of 2022 to \$286.2 million in the first quarter of 2023. The decrease is due to the organic decline mainly resulting from lower volume, notably in retail flyer printing and distribution activities, partially mitigated by the favourable impact of price increases, as well as the favourable exchange rate effect.

Adjusted operating earnings before depreciation and amortization decreased by \$16.2 million, or 28.5%, from \$56.8 million in the first quarter of 2022 to \$40.6 million in the first quarter of 2023. This decrease is mostly caused by lower volume, notably in retail flyer printing and distribution activities. The sector's adjusted operating earnings margin before depreciation and amortization decreased from 19.2% in the first quarter of 2022 to 14.2% in the first quarter of 2023, mostly due to lower volume.



## Other

Revenues increased by \$3.9 million, from \$11.2 million in the first quarter of 2022 to \$15.1 million in the first quarter of 2023, mostly as a result of the acquisitions of ERPI and Scolab.

Adjusted operating earnings before depreciation and amortization increased by \$3.6 million, from \$-6.7 million in the first quarter of 2022 to \$-3.1 million in the first quarter of 2023, mainly as a result of the favourable impact of the stock-based compensation and the acquisitions in the Media Sector.

## SUMMARY OF QUARTERLY RESULTS

(unaudited)

Table #4 summarizes selected consolidated financial information derived from the Corporation's unaudited condensed interim consolidated financial statements and some non-IFRS financial measures for each of the last eight quarters.

**Table #4:**

	2023		2022				2021	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	13 weeks	13 weeks	13 weeks	13 weeks	13 weeks	14 weeks	13 weeks	13 weeks
(in millions of dollars, except per share amounts)								
Revenues	<b>\$707.0</b>	\$802.2	\$747.8	\$715.5	<b>\$690.6</b>	\$775.8	\$621.6	\$623.3
Operating earnings before depreciation and amortization	<b>75.9</b>	145.7	110.0	102.8	<b>90.7</b>	135.8	103.4	108.9
Adjusted operating earnings before depreciation and amortization <sup>(1)</sup>	<b>84.1</b>	141.1	113.0	103.6	<b>89.0</b>	143.1	104.2	109.4
Adjusted operating earnings margin before depreciation and amortization <sup>(1)</sup>	<b>11.9 %</b>	17.6 %	15.1 %	14.5 %	<b>12.9 %</b>	18.4 %	16.8 %	17.6 %
Operating earnings	<b>\$15.0</b>	\$85.3	\$52.1	\$46.1	<b>\$33.8</b>	\$80.5	\$50.2	\$55.9
Adjusted operating earnings <sup>(1)</sup>	<b>41.8</b>	99.1	72.6	64.1	<b>49.3</b>	104.9	67.4	72.6
Adjusted operating earnings margin <sup>(1)</sup>	<b>5.9 %</b>	12.4 %	9.7 %	9.0 %	<b>7.1 %</b>	13.5 %	10.8 %	11.6 %
Net earnings attributable to shareholders of the Corporation	<b>\$1.0</b>	\$60.4	\$34.1	\$28.3	<b>\$18.4</b>	\$39.2	\$28.1	\$35.6
Net earnings attributable to shareholders of the Corporation per share	<b>0.01</b>	0.70	0.39	0.33	<b>0.21</b>	0.45	0.32	0.41
Adjusted net earnings attributable to shareholders of the Corporation <sup>(1)</sup>	<b>21.1</b>	68.4	49.6	41.7	<b>30.0</b>	70.6	44.2	47.8
Adjusted net earnings attributable to shareholders of the Corporation per share <sup>(1)</sup>	<b>0.24</b>	0.79	0.57	0.48	<b>0.35</b>	0.81	0.51	0.55
% of fiscal year	<b>— %</b>	36 %	26 %	22 %	<b>16 %</b>	35 %	21 %	23 %

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

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

- The impact of acquisitions;
- The effect of exchange rate fluctuations;
- The effect of interest rate fluctuations;
- The impact of the change in the share price on the stock-based compensation expense;
- The impact of changes in price of raw materials, including resin and paper; and
- The impact of inflation on costs.

## FINANCIAL POSITION, LIQUIDITY AND CAPITAL STRUCTURE

(unaudited)

Table #5:

(in millions of dollars)	Three months ended	
	January 29, 2023	January 30, 2022
<b>Operating activities</b>		
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	\$76.4	\$87.9
Changes in non-cash operating items	(51.8)	(64.9)
Income taxes paid	(12.6)	(29.4)
Cash flows from operating activities	\$12.0	(\$6.4)
<b>Investing activities</b>		
Business combinations, net of acquired cash	(\$0.3)	(\$45.7)
Acquisitions of property, plant and equipment	(43.9)	(28.1)
Increase in intangible assets	(7.3)	(6.1)
Cash flows from investing activities	(\$51.5)	(\$79.9)
<b>Financing activities</b>		
Reimbursement of long-term debt	(\$0.7)	(\$186.7)
Net increase in credit facilities	55.4	103.5
Financial expenses paid on long-term debt and credit facilities	(9.4)	(10.2)
Repayment of principal on lease liabilities	(6.1)	(6.5)
Interest paid on lease liabilities	(0.8)	(0.5)
Dividends	(19.5)	(19.5)
Share redemptions	—	(3.0)
Cash flows from financing activities	\$18.9	(\$122.9)
Effect of exchange rate changes on cash denominated in foreign currencies	\$0.1	\$1.1
Net change in cash	(\$20.5)	(\$208.1)

Financial position	As at January 29, 2023	As at October 30, 2022
Net indebtedness <sup>(1)</sup>	\$1,163.6	\$1,104.6
Net indebtedness ratio <sup>(1)</sup>	2.63 x	2.47 x
Credit rating		
DBRS	BBB (low)	BBB (low)
Outlook	Stable	Stable
Standard and Poor's	BBB-	BBB-
Outlook	Stable	Stable

Consolidated Statements of Financial Position	As at January 29, 2023	As at October 30, 2022
Current assets	\$1,047.4	\$1,134.7
Current liabilities	445.0	547.0
Total assets	3,667.5	3,801.0
Total liabilities	1,817.0	1,919.0

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

## ANALYSIS OF FINANCIAL POSITION - FIRST QUARTER

### Cash Flows from Operating Activities

Cash flows from operating activities increased from \$-6.4 million in the first quarter of 2022 to \$12.0 million in the first quarter of 2023. This increase is mostly attributable to the favourable change in working capital, which is largely explained by lower inventory compared to the corresponding period of the prior year, partially mitigated by the decrease in adjusted operating earnings before depreciation and amortization.

### Cash Flows from Investing Activities

Cash flows from investing activities decreased from a cash outflow of \$79.9 million in the first quarter of 2022 to a cash outflow of \$51.5 million in the first quarter of 2023. This change is mainly related to the acquisition of H.S. Crocker Company Inc. during the corresponding quarter of the prior year, partially offset by an increase in acquisitions of property, plant and equipment in the Packaging Sector.

### Cash Flows from Financing Activities

Cash flows from financing activities went from a cash outflow of \$122.9 million in the first quarter of 2022 to a cash inflow of \$18.9 million in the first quarter of 2023. This change is mostly attributable to the repayments of debt in the first quarter of 2022, partially mitigated by a decrease of the amount drawn on credit facilities in 2023.

### Debt instruments

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

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

As at January 29, 2023, an amount of \$184.5 million had been drawn on the credit facilities, and the unused amount under the credit facilities was \$248.8 million.

As at January 29, 2023, the floating-rate portion of the Corporation's long-term debt represented approximately 59.0% of total debt.

Net indebtedness went from \$1,104.6 million as at October 30, 2022 to \$1,163.6 million as at January 29, 2023. This increase is mostly explained by investments in property, plant and equipment. Consequently, the net indebtedness ratio stood at 2.63x as at January 29, 2023 compared to 2.47x as at October 30, 2022, due to the above-mentioned items and lower adjusted operating earnings before depreciation and amortization.

### Share Capital

Table #6:

Shares Issued and Outstanding	As at January 29, 2023	As at February 28, 2023
Class A (Subordinate Voting Shares)	72,712,844	72,965,844
Class B (Multiple Voting Shares)	13,911,326	13,658,326
<b>Total Class A and Class B</b>	<b>86,624,170</b>	<b>86,624,170</b>

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

During the first quarter of 2023, the Corporation did not repurchase any of its Class A Subordinate Voting Shares or Class B shares. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at January 29, 2023.

During the first quarter of 2022, the Corporation repurchased and cancelled 157,800 of its Class A Subordinate Voting Shares at a weighted average price of \$18.80, for a total cash consideration of \$3.0 million. The excess of the total consideration over the carrying amount of the shares, amounting to \$1.6 million, was applied against retained earnings. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at January 30, 2022.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

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

As at January 29, 2023, the Corporation's management excluded Scolab, ERPI, and Banaplast, 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.

Scolab, acquired March 14, 2022, ERPI, acquired June 13, 2022, and Banaplast, acquired June 22, 2022, have generated revenues of \$1.1 million, \$4.8 million, and of \$1.6 million, or 0.1%, 0.7%, and 0.2%, respectively, of the Corporation's consolidated revenues for the three-month period ended January 29, 2023.

Additional information about these acquisitions is presented in Table #7.

**Table #7:**  
(unaudited)

(In millions of dollars)	Scolab	ERPI	Banaplast
<b>Statements of financial position</b>	<b>As at January 29, 2023</b>	<b>As at January 29, 2023</b>	<b>As at January 29, 2023</b>
Current assets	\$5.2	\$18.2	\$4.1
Non-current assets	2.7	13.4	2.1
Current liabilities	2.5	15.2	1.2
Non-current liabilities	0.1	2.6	—
<b>Statements of earnings</b>	<b>Three months ended January 29, 2023</b>	<b>Three months ended January 29, 2023</b>	<b>Three months ended January 29, 2023</b>
Revenues	\$1.1	\$4.8	\$1.6
Operating earnings before depreciation and amortization	0.7	(0.7)	0.6
Operating earnings	0.2	(2.0)	0.6

During the first quarter ended January 29, 2023, except for the information provided above, no change that has materially affected or is reasonably likely to affect the ICFR was brought to the attention of management, including the President and Chief Executive Officer and the Chief Financial Officer of the Corporation.

## OUTLOOK

In the Packaging Sector, as a result of investing in new production equipment, signing new contracts and introducing new products to the market, we expect organic volume growth. In terms of profitability, we expect an increase in adjusted operating earnings before depreciation and amortization for fiscal year 2023 compared to fiscal year 2022. The economic environment could however affect short-term demand.

In the Printing Sector, we expect volume growth in our book printing and in-store marketing activities. The transfer of cost increases should however have a negative impact on volume, notably in our retail flyer printing and distribution activities. This anticipated volume reduction, combined with the effect of inflationary pressures, should result in lower adjusted operating earnings before depreciation and amortization for fiscal year 2023 compared to fiscal year 2022. We expect this decrease to be partially offset by the implementation of cost saving initiatives.

Finally, we expect to continue generating significant cash flows from operating activities, which will enable us to continue our strategic investments while maintaining our dividend and reducing our net indebtedness.

On behalf of Management,

(s) Donald LeCavalier  
Chief Financial Officer

March 8, 2023

## CONSOLIDATED STATEMENTS OF EARNINGS

Unaudited

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

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

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

Unaudited  
(in millions of Canadian dollars)

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

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited  
(in millions of Canadian dollars)

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

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



## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited  
(in millions of Canadian dollars)

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

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited  
(in millions of Canadian dollars)

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

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

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

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## 1 GENERAL INFORMATION

Transcontinental Inc. (the "Corporation") is incorporated under the Canada Business Corporations Act. Its Class A Subordinate Voting Shares and Class B Shares are traded on the Toronto Stock Exchange. The Corporation's head office is located at 1 Place Ville Marie, Suite 3240, Montreal, Quebec, Canada, H3B 0G1.

The Corporation is a leader in flexible packaging in North America and Canada's largest printer. The Corporation mainly conducts business in Canada, the United States, Latin America and the United Kingdom in three separate sectors: the Packaging Sector, the Printing Sector and the Media Sector. The Corporation's main activities are described in Note 3 "Segmented Information".

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES

### Basis of presentation

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

## 3 SEGMENTED INFORMATION

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

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

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

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

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

### 3 SEGMENTED INFORMATION (CONTINUED)

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

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

  

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

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

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

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

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

### 3 SEGMENTED INFORMATION (CONTINUED)

#### Additional information on revenues

The table below presents information on revenues by sector disaggregated by type of products and geographical area:

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

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

	As at	
	January 29, 2023	October 30, 2022
Packaging	\$ 2,422.8	\$ 2,476.0
Printing	957.4	1,020.3
Other <sup>(4)</sup>	287.3	304.7
	<b>\$ 3,667.5</b>	<b>\$ 3,801.0</b>

<sup>(1)</sup> An amount of \$27.0 million of intercompany sales has been reclassified in the revenues generated from plants located outside of Canada and the United States. These revenues were previously presented within revenues generated from plants located in Canada and in the United States.

<sup>(2)</sup> Revenues from printing services and media are mainly generated from transactions in Canada.

<sup>(3)</sup> Revenues from retailer-related services include printing, premedia and distribution services.

<sup>(4)</sup> This heading notably includes cash, income taxes receivable, property, plant and equipment, intangible assets, right-of-use assets, deferred taxes and defined benefit asset not allocated to sectors.

### 4 BUSINESS COMBINATION

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

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

### 5 OPERATING EXPENSES

	Three months ended	
	January 29, 2023	January 30, 2022
Employee-related costs	\$ 200.1	\$ 186.5
Supply chain and logistics <sup>(1)</sup>	388.9	383.7
Other goods and services <sup>(2)</sup>	33.9	31.4
	<b>\$ 622.9</b>	<b>\$ 601.6</b>

<sup>(1)</sup> Includes mainly production, other than employee-related costs, and distribution costs related to external suppliers.

<sup>(2)</sup> Includes mainly promotion, advertising and telecommunications costs, office supplies, real estate expenses and professional fees.

### 6 RESTRUCTURING AND OTHER COSTS (REVENUES)

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

<sup>(1)</sup> Includes termination payments to employees as part of workforce reorganizations, mainly in the Printing and Packaging Sectors, as well as related costs associated with such restructuring.

### 7 DEPRECIATION AND AMORTIZATION

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

### 8 NET FINANCIAL EXPENSES

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

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

### 9 INCOME TAXES

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

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

<sup>(1)</sup> The Corporation's applicable tax rate corresponds to the combined Canadian tax rates applicable in the provinces where the Corporation operates.

### 10 LONG-TERM DEBT

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

#### Hedging instruments

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

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

### 10 LONG-TERM DEBT (CONTINUED)

#### Credit facilities

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

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

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

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

### 11 OTHER LIABILITIES

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

### 12 SHARE CAPITAL

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

#### Share redemptions

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

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

During the three-month period ended January 30, 2022, the Corporation repurchased and cancelled 157,800 of its Class A Subordinate Voting Shares at a weighted average price of \$18.80, for a total cash consideration of \$3.0 million. The excess of the total consideration over the carrying amount of the shares, amounting to \$1.6 million, was applied against retained earnings. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at January 30, 2022.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

### 12 SHARE CAPITAL (CONTINUED)

#### Net earnings per share

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

#### Dividends

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

### 13 STOCK-BASED COMPENSATION

#### Share unit plans

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

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

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

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

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

#### Total return swap

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

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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### 14 ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

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

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

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

#### Actuarial gains and losses on defined benefit plans

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

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

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

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

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Unaudited

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

### 15 FINANCIAL INSTRUMENTS

#### Fair value of financial instruments

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

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

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

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

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

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

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

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

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