Condensed consolidated financial statements of

QUEBECOR INC.

Three-month periods ended March 31, 2022 and 2021

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF INCOME

(in millions of Canadian dollars, except for earnings per share data)
(unaudited)

	Note	Three months ended March 31 2022	2021
Revenues	2	**$ 1,088.0**	$ 1,091.1
Employee costs	3	**179.1**	176.4
Purchase of goods and services	3	**466.8**	462.0
Depreciation and amortization		**194.7**	195.3
Financial expenses	4	**77.5**	83.1
Loss on valuation and translation of financial instruments	5	**7.3**	5.8
Restructuring of operations and other items	6	**0.9**	4.5
Income before income taxes		**161.7**	164.0
Income taxes (recovery):			
Current		**74.4**	63.4
Deferred		**(29.8)**	(19.4)
		44.6	44.0
Net income		**$ 117.1**	$ 120.0
Net income (loss) attributable to			
Shareholders		**$ 121.4**	$ 121.3
Non-controlling interests		**(4.3)**	(1.3)
Earnings per share attributable to shareholders	9		
Basic and diluted		**$ 0.51**	$ 0.49
Weighted average number of shares outstanding (in millions)		**239.2**	246.7
Weighted average number of diluted shares (in millions)		**239.2**	246.9

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars) (unaudited)	Three months ended March 31	
	2022	2021
Net income	**$ 117.1**	$ 120.0
Other comprehensive income:		
Items that may be reclassified to income:		
Cash flow hedges:		
Loss on valuation of derivative financial instruments	**(18.4)**	(2.6)
Deferred income taxes	**3.9**	1.9
Loss on translation of investments in foreign associates	**(4.3)**	-
Items that will not be reclassified to income:		
Defined benefit plans:		
Re-measurement gain	**108.0**	177.0
Deferred income taxes	**(28.6)**	(46.9)
Equity investment:		
Loss on revaluation of an equity investment	**(0.2)**	-
	60.4	129.4
Comprehensive income	**$ 177.5**	$ 249.4
Comprehensive income attributable to		
Shareholders	**$ 178.4**	$ 243.9
Non-controlling interests	**(0.9)**	5.5

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

	Three months ended March 31, 2022				
	Telecommuni-cations	**Media**	**Sports and Enter-tainment**	**Head office and Inter-segments**	**Total**
Revenues	**$ 903.4**	**$ 181.8**	**$ 34.1**	**$ (31.3)**	**$ 1,088.0**
Employee costs	**101.3**	**59.9**	**10.1**	**7.8**	**179.1**
Purchase of goods and services	**342.1**	**133.8**	**24.1**	**(33.2)**	**466.8**
Adjusted EBITDA [1]	**460.0**	**(11.9)**	**(0.1)**	**(5.9)**	**442.1**
Depreciation and amortization					**194.7**
Financial expenses					**77.5**
Loss on valuation and translation of financial instruments					**7.3**
Restructuring of operations and other items					**0.9**
Income before income taxes					**$ 161.7**
Cash flows used for					
Additions to property, plant and equipment	**$ 89.2**	**$ 5.6**	**$ 0.1**	**$ 0.4**	**$ 95.3**
Additions to intangible assets	**26.0**	**2.8**	**0.7**	**0.3**	**29.8**

	Three months ended March 31, 2021				
	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	$ 914.0	$ 174.8	$ 31.2	$ (28.9)	$ 1,091.1
Employee costs	104.5	55.1	7.5	9.3	176.4
Purchase of goods and services	358.6	118.4	21.6	(36.6)	462.0
Adjusted EBITDA [1]	450.9	1.3	2.1	(1.6)	452.7
Depreciation and amortization					195.3
Financial expenses					83.1
Loss on valuation and translation of financial instruments					5.8
Restructuring of operations and other items					4.5
Income before income taxes					$ 164.0
Cash flows used for					
Additions to property, plant and equipment	$ 107.6	$ 3.8	$ 0.1	$ 0.3	$ 111.8
Additions to intangible assets	51.3	6.1	0.9	0.5	58.8

[1] The Chief Executive Officer uses adjusted EBITDA as the measure of profit to assess the performance of each segment. Adjusted EBITDA is a non-IFRS measure and is defined as net income before depreciation and amortization, financial expenses, loss on valuation and translation of financial instruments, restructuring of operations and other items and income taxes.

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income		
	(note 10)			(note 12)		
Balance as of December 31, 2020	$ 1,017.8	$ 17.4	$ 211.3	$ (133.9)	$ 101.5	$ 1,214.1
Net income (loss)	-	-	121.3	-	(1.3)	120.0
Other comprehensive income	-	-	-	122.6	6.8	129.4
Dividends	-	-	(68.3)	-	(0.1)	(68.4)
Repurchase of Class B Shares	(15.6)	-	(68.8)	-	-	(84.4)
Balance as of March 31, 2021	1,002.2	17.4	195.5	(11.3)	106.9	1,310.7
Net income	-	-	457.1	-	11.3	468.4
Other comprehensive (loss) income	-	-	-	(8.0)	5.0	(3.0)
Dividends	-	-	(199.3)	-	-	(199.3)
Repurchase of Class B Shares	(37.0)	-	(161.0)	-	-	(198.0)
Balance as of December 31, 2021	965.2	17.4	292.3	(19.3)	123.2	1,378.8
Net income (loss)	-	-	121.4	-	(4.3)	117.1
Other comprehensive income	-	-	-	57.0	3.4	60.4
Dividends	-	-	(71.8)	-	(0.1)	(71.9)
Repurchase of Class B Shares	(5.2)	-	(20.8)	-	-	(26.0)
Balance as of March 31, 2022	**$ 960.0**	**$ 17.4**	**$ 321.1**	**$ 37.7**	**$ 122.2**	**$ 1,458.4**

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars) (unaudited)	Note	Three months ended March 31 2022	2021
Cash flows related to operating activities			
Net income		**$ 117.1**	$ 120.0
Adjustments for:			
Depreciation of property, plant and equipment		**139.3**	146.2
Amortization of intangible assets		**45.0**	38.9
Depreciation of right-of-use assets		**10.4**	10.2
Loss on valuation and translation of financial instruments	5	**7.3**	5.8
Loss on disposal of other assets	6	**-**	0.5
Impairment of assets	6	**-**	0.8
Amortization of financing costs	4	**1.8**	2.2
Deferred income taxes		**(29.8)**	(19.4)
Other		**0.1**	(0.4)
		291.2	304.8
Net change in non-cash balances related to operating activities		**(63.5)**	(43.2)
Cash flows provided by operating activities		**227.7**	261.6
Cash flows related to investing activities			
Business acquisitions		**-**	(15.1)
Additions to property, plant and equipment	7	**(95.3)**	(111.8)
Additions to intangible assets		**(29.8)**	(58.8)
Proceeds from disposals of assets		**1.4**	0.1
Acquisition of investments and other		**(4.1)**	(0.8)
Cash flows used in investing activities		**(127.8)**	(186.4)
Cash flows related to financing activities			
Net change in bank indebtedness		**25.2**	1.6
Net change under revolving facilities		**(126.1)**	(3.1)
Issuance of long-term debt, net of financing costs		**-**	644.0
Repayment of long-term debt		**(0.4)**	(0.4)
Repayment of lease liabilities		**(10.3)**	(10.2)
Repurchase of Class B Shares	10	**(26.0)**	(84.4)
Dividends paid to non-controlling interests		**(0.1)**	(0.1)
Cash flows (used in) provided by financing activities		**(137.7)**	547.4
Net change in cash and cash equivalents		**(37.8)**	622.6
Cash and cash equivalents at beginning of period		**64.7**	136.7
Cash and cash equivalents at end of period		**$ 26.9**	$ 759.3
Cash and cash equivalents consist of			
Cash		**$ 26.8**	$ 759.0
Cash equivalents		**0.1**	0.3
		$ 26.9	$ 759.3
Interest and taxes reflected as operating activities			
Cash interest payments		**$ 26.1**	$ 38.6
Cash income tax payments (net of refunds)		**98.9**	112.8

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	March 31 2022	December 31 2021
Assets			
Current assets			
Cash and cash equivalents		**$ 26.9**	$ 64.7
Restricted cash	7	**130.7**	162.4
Accounts receivable		**706.6**	745.1
Contract assets		**103.9**	129.4
Income taxes		**13.0**	7.3
Inventories		**367.5**	282.6
Derivative financial instruments		**229.8**	-
Other current assets		**142.2**	132.0
		1,720.6	1,523.5
Non-current assets			
Property, plant and equipment		**3,016.7**	3,058.7
Intangible assets		**2,324.8**	2,344.1
Right-of-use assets		**150.0**	152.3
Goodwill		**2,718.5**	2,718.5
Derivative financial instruments		**111.0**	405.6
Deferred income taxes		**27.1**	39.2
Other assets		**542.5**	521.1
		8,890.6	9,239.5
Total assets		**$ 10,611.2**	$ 10,763.0
Liabilities and equity			
Current liabilities			
Bank indebtedness		**$ 25.2**	$ -
Accounts payable, accrued charges and provisions		**949.1**	861.0
Deferred revenue		**283.3**	309.7
Deferred subsidies	7	**130.7**	162.4
Income taxes		**27.0**	47.4
Current portion of long-term debt	8	**1,139.7**	56.5
Current portion of lease liabilities		**36.3**	36.1
		2,591.3	1,473.1
Non-current liabilities			
Long-term debt	8	**5,201.5**	6,467.9
Derivative financial instruments		**35.4**	23.3
Convertible debentures		**150.0**	150.0
Lease liabilities		**144.0**	147.1
Deferred income taxes		**812.5**	829.6
Other liabilities		**218.1**	293.2
		6,561.5	7,911.1
Equity			
Capital stock	10	**960.0**	965.2
Contributed surplus		**17.4**	17.4
Retained earnings		**321.1**	292.3
Accumulated other comprehensive income (loss)	12	**37.7**	(19.3)
Equity attributable to shareholders		**1,336.2**	1,255.6
Non-controlling interests		**122.2**	123.2
		1,458.4	1,378.8
Total liabilities and equity		**$ 10,611.2**	$ 10,763.0

See accompanying notes to condensed consolidated financial statements.

Quebecor Inc. ("Quebecor" or the "Corporation") is incorporated under the laws of Québec. The Corporation's head office and registered office is located at 612 rue Saint-Jacques, Montréal, Québec, Canada. Quebecor is a holding corporation with a 100% interest in Quebecor Media Inc. ("Quebecor Media"). Unless the context otherwise requires, Quebecor or the Corporation refers to Quebecor Inc. and its subsidiaries and Quebecor Media refers to Quebecor Media Inc. and its subsidiaries.

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers Internet access, television distribution, mobile and wireline telephony, business solutions and over-the-top video services in Canada. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment rental and postproduction services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of news and entertainment digital platforms and a music streaming service, the publishing and distribution of magazines, the production and distribution of audiovisual content, and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural event management, the publishing and distribution of books, the distribution and production of music, and the operation of two Quebec Major Junior Hockey League teams.

The Media segment experiences significant seasonality due, among other factors, to seasonal advertising patterns and influences on people's viewing, reading and listening habits. Because the Media segment depends on the sale of advertising for a significant portion of its revenue, operating results are also sensitive to prevailing economic conditions, as they may affect advertising expenditures of corporations. Accordingly, the results of operations for interim periods of the Media segment should not necessarily be considered indicative of full-year results due to the seasonality of certain of its operations.

Since March 2020, the COVID-19 pandemic has had an impact on some of the Corporation's quarterly results, more particularly in the Media and the Sports and Entertainment segments. Given the uncertainty around the future evolution of the pandemic, including any new major waves, all future impacts of the health crisis on the results of operations cannot be determined with certainty.

1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and, accordingly, they are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation's 2021 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these condensed consolidated financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on May 11, 2022.

Comparative figures for the previous period have been restated to conform to the presentation adopted for the three-month period ended March 31, 2022.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

2. REVENUES

	Three months ended March 31	
	2022	2021
Telecommunications:		
Internet	**$ 298.6**	$ 296.6
Television	**197.3**	213.2
Mobile telephony	**187.3**	170.5
Wireline telephony	**75.2**	80.7
Mobile equipment sales	**63.8**	60.5
Wireline equipment sales	**32.3**	46.7
Other	**48.9**	45.8
Media:		
Advertising	**79.2**	76.1
Subscription	**48.3**	49.4
Other	**54.3**	49.3
Sports and Entertainment	**34.1**	31.2
Inter-segments	**(31.3)**	(28.9)
	$ 1,088.0	$ 1,091.1

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

	Three months ended March 31	
	2022	2021
Employee costs	**$ 218.6**	$ 224.3
Less employee costs capitalized to property, plant and equipment and to intangible assets	**(39.5)**	(47.9)
	179.1	176.4
Purchase of goods and services:		
Royalties, rights and creation costs	**201.5**	182.8
Cost of products sold	**107.0**	115.9
Service contracts	**40.1**	54.9
Marketing, circulation and distribution expenses	**19.9**	18.7
Other	**98.3**	89.7
	466.8	462.0
	$ 645.9	$ 638.4

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

4. FINANCIAL EXPENSES

	Three months ended March 31	
	2022	2021
Interest on long-term debt and on convertible debentures	**$ 74.8**	$ 79.6
Amortization of financing costs	**1.8**	2.2
Interest on lease liabilities	**2.0**	2.2
Interest on net defined benefit liability	**1.2**	2.2
Gain on foreign currency translation on short-term monetary items	**(1.1)**	(1.2)
Other	**(1.2)**	(1.9)
	$ 77.5	$ 83.1

5. LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended March 31	
	2022	2021
Loss on embedded derivatives related to convertible debentures	**$ 7.2**	$ 5.7
Other	**0.1**	0.1
	$ 7.3	$ 5.8

6. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

During the first quarter of 2022, a charge of $0.9 million was recorded in connection mainly with cost reduction initiatives in the Corporation's various segments ($3.2 million in 2021). During the first quarter of 2021, an asset impairment charge of $0.8 million and a loss related to other items of $0.5 million were also recorded.

7. RESTRICTED CASH AND DEFERRED SUBSIDIES

On March 22, 2021, Videotron and the Québec government, jointly with the Canadian government, signed agreements to support the achievement of the government's targets for the roll-out of high-speed Internet services in various regions of Québec. Under these agreements, Videotron will extend its high-speed Internet network to connect approximately 37,000 additional households and the government has committed to provide financial assistance in the amount of approximately $258.0 million, which will be fully invested in Videotron's network extension. In accordance with the terms of the agreements, an amount of $216.2 million received in advance from the government in March 2021 was classified as restricted cash (balance of $130.7 million as of March 31, 2022) with a corresponding amount recorded as deferred subsidies on the consolidated balance sheets. During the first quarter of 2022, $31.7 million of these deferred subsidies were recognized as a reduction of additions to property, plant and equipment upon the realization of the required investments ($5.5 million in the comparative quarter of 2021).

8. LONG-TERM DEBT

Components of long-term debt are as follows:

	March 31, 2022	December 31, 2021
Total long-term debt	$ **6,376.4**	$ 6,554.0
Change in fair value related to hedged interest rate risk	**0.9**	8.3
Financing costs, net of amortization	**(36.1)**	(37.9)
	6,341.2	6,524.4
Less current portion	**(1,139.7)**	(56.5)
	$ **5,201.5**	$ 6,467.9

As of March 31, 2022, the carrying value of long-term debt denominated in U.S. dollars, excluding financing costs, was $3,187.3 million ($3,245.9 million as of December 31, 2021) while the net fair value of related hedging derivative instruments was in an asset position of $307.4 million ($381.4 million as of December 31, 2021).

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of stock options of the Corporation on the number of shares outstanding, the potentially dilutive effect of stock options of the Corporation's subsidiaries on net income attributable to shareholders, and the potentially dilutive effect of conversion of convertible debentures issued by the Corporation on net income attributable to shareholders and on the number of shares outstanding.

During the three-month periods ended March 31, 2022 and 2021, there was no adjustment for a dilution effect on the net income attributable to shareholders.

The following table sets the impact of dilution on the weighted average number of shares outstanding:

	Three months ended March 31	
	2022	2021
Weighted average number of shares outstanding (in millions)	**239.2**	246.7
Potentially dilutive effect of stock options of the Corporation (in millions)	**–**	0.2
Weighted average number of diluted shares outstanding (in millions)	**239.2**	246.9

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

10. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares ("Class A Shares") with voting rights of 10 votes per share convertible at any time into Class B Subordinate Voting Shares ("Class B Shares") on a one-for-one basis.

An unlimited number of Class B Shares convertible into Class A Shares on a one-for-one basis, only if a takeover bid for Class A Shares is made to holders of Class A Shares without being made concurrently and under the same terms to holders of Class B Shares, for the sole purpose of allowing the holders of Class B Shares to accept the offer and subject to certain other stated conditions provided in the articles, including the acceptance of the offer by the majority holder.

Holders of Class B Shares are entitled to elect 25% of the Board of Directors of Quebecor. Holders of Class A Shares may elect the other members of the Board of Directors.

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2021	76,984,034	$ 8.6	162,273,507	$ 956.6
Shares purchased and cancelled	–	–	(890,051)	(5.2)
Balance as of March 31, 2022	**76,984,034**	**$ 8.6**	**161,383,456**	**$ 951.4**

On August 4, 2021, the Corporation filed a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 6,000,000 Class B Shares representing approximately 3.6% of issued and outstanding Class B Shares as of July 30, 2021. The purchases can be made from August 15, 2021 to August 14, 2022, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

On April 27, 2022, the Corporation received approval from the Toronto Stock Exchange to amend its normal course issuer bid in order to increase the maximum number of Class B Shares that may be repurchased to 10,000,000 Class B Shares, representing approximately 6.8% of the Class B Shares public float as of July 30, 2021. No other terms of the normal course issuer bid have been amended.

During the three-month period ended March 31, 2022, the Corporation purchased and cancelled 890,051 Class B Shares for a total cash consideration of $26.0 million (2,649,300 Class B Shares for a total cash consideration of $84.4 million in 2021). The excess of $20.8 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings ($68.8 million in 2021).

On May 11, 2022, the Board of Directors of the Corporation declared a dividend of $0.30 per share on Class A Shares and Class B Shares, or approximately $71.5 million, payable on June 21, 2022, to shareholders of record at the close of business on May 27, 2022.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

11. STOCK-BASED COMPENSATION PLANS

Stock option plans

The following table provides details of changes to outstanding options in the principal stock-based compensation plans in which management of the Corporation and its subsidiaries participate, for the three-month period ended March 31, 2022:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2021	2,379,600	$ 30.74
Exercised	(6,666)	26.52
Cancelled	(114,451)	31.09
As of March 31, 2022	**2,258,483**	**$ 30.74**
Vested options as of March 31, 2022	**195,594**	**$ 26.52**
TVA Group Inc.		
As of December 31, 2021 and March 31, 2022	**369,503**	**$ 2.09**
Vested options as of March 31, 2022	**48,832**	**$ 4.56**

During the three-month period ended March 31, 2021, 10,300 stock options of Quebecor Media were exercised for a cash consideration of $0.7 million.

Deferred share unit plan

The deferred share unit ("DSU") is based either on Quebecor Class B Shares or on TVA Group Inc. Class B Non-Voting Shares ("TVA Group Class B Shares"). The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. DSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. As of March 31, 2022 and December 31, 2021, 96,909 DSUs based on Quebecor Class B Shares and 128,064 DSUs based on TVA Group Class B Shares were outstanding under these plans.

Stock-based compensation expense

For the three-month period ended March 31, 2022, a charge of $2.2 million was recorded related to stock-based compensation plans ($3.6 million in 2021).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

12. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO SHAREHOLDERS

	Cash flow hedges[1]	Translation of investments in foreign associates	Defined benefit plans[2]	Equity investment	Total
Balance as of December 31, 2020	$ 29.6	$ –	$ (163.5)	$ –	$ (133.9)
Other comprehensive (loss) income	(0.7)	–	123.3	–	122.6
Balance as of March 31, 2021	28.9	–	(40.2)	–	(11.3)
Other comprehensive income (loss)	3.8	(17.6)	4.2	1.6	(8.0)
Balance as of December 31, 2021	32.7	(17.6)	(36.0)	1.6	(19.3)
Other comprehensive (loss) income	(14.5)	(4.3)	76.0	(0.2)	57.0
Balance as of March 31, 2022	**$ 18.2**	**$ (21.9)**	**$ 40.0**	**$ 1.4**	**$ 37.7**

1 No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 7 1/4-year period.

2 The re-measurement gain in the consolidated statement of comprehensive income for the three-month period ended March 31, 2022 is mainly due to an increase in the discount rate since December 31, 2021.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with IFRS 13, *Fair Value Measurement*, the Corporation considers the following fair value hierarchy, which reflects the significance of the inputs used in measuring its financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models using Level 1 and Level 2 inputs. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized on the consolidated balance sheets is estimated as per the Corporation’s valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). An adjustment is also included to reflect non-performance risk, impacted by the financial and economic environment prevailing at the date of the valuation, in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs), to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as Level 2.

The fair value of embedded derivatives related to convertible debentures is determined by option-pricing models using Level 2 market inputs, including volatility, discount factors, and the underlying instrument’s implicit interest rate and credit premium.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of March 31, 2022 and December 31, 2021 are as follows:

	March 31, 2022		December 31, 2021	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,376.4)**	**$ (6,198.5)**	$ (6,554.0)	$ (6,660.4)
Convertible debentures[2]	**(146.9)**	**(146.9)**	(139.5)	(139.5)
Derivative financial instruments				
Foreign exchange forward contracts	**(2.0)**	**(2.0)**	0.9	0.9
Cross-currency swaps	**307.4**	**307.4**	381.4	381.4

1 The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest rate risk and financing costs.

2 The carrying value and fair value of convertible debentures consist of the principal amount and the value of the conversion features related to the floor and ceiling prices, recognized as embedded derivatives.