Consolidated financial statements of

QUEBECOR INC.

Years ended December 31, 2022 and 2021

QUEBECOR INC.
CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Quebecor Inc. are the responsibility of management and have been approved by the Board of Directors of Quebecor Inc.

These consolidated financial statements have been prepared by management in conformity with International Financial Reporting Standards and include amounts that are based on best estimates and judgments.

The management of Quebecor Inc. and of its subsidiaries, in furtherance of the integrity and objectivity of the data in the consolidated financial statements, has developed and maintains internal accounting control systems and supports a program of internal audit. Management believes that these internal accounting control systems provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of the consolidated financial statements, that assets are properly accounted for and safeguarded and that the preparation and presentation of other financial information are consistent with the consolidated financial statements.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit and Risk Management Committee, consisting solely of outside directors. The Audit and Risk Management Committee reviews the annual consolidated financial statements and recommends their approval to the Board of Directors. The Audit and Risk Management Committee meets with Quebecor Inc.'s management, internal auditors and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and formulates the appropriate recommendations to the Board of Directors. The auditor appointed by the shareholders has full access to the Audit and Risk Management Committee, with or without management being present.

These consolidated financial statements have been audited by the auditor appointed by the shareholders and its report is presented hereafter.

(signed)

Pierre Karl Péladeau
President and Chief Executive Officer

(signed)

Hugues Simard
Chief Financial Officer

Montréal, Canada

February 22, 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Quebecor Inc.

Opinion

We have audited the consolidated financial statements of Quebecor Inc. and its subsidiaries (the "Corporation"), which comprise the consolidated balance sheets as at December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Timing of revenue recognition from subscriber services in the Telecommunications segment	
As disclosed in note 1 (e) to the consolidated financial statements, the Telecommunications segment recognizes revenue from subscriber services, such as television distribution, Internet access and wireline and mobile telephony, when the services are provided. Operating revenues related to service contracts are recognized in income on a straight-line basis over the period in which the services are provided, and the portion of revenues that is invoiced and unearned is presented as deferred revenue. The Corporation recognized \$3,718.2 million of revenues for the year ended December 31, 2022 related to the Telecommunications segment and \$305.8 million of deferred revenue as at December 31, 2022, of which a significant portion related to these services.	To test the timing of revenue recognition from subscriber services and the deferred revenue balance, our audit procedures included, among others, the following: • We obtained an understanding, evaluated the design, and tested the operating effectiveness of manual controls, as well as the application controls and the IT general controls with the assistance of our IT specialists, related to the timing of revenue recognition for Telecommunications subscriber services; • We reperformed management's calculation of the deferred revenue balance related to these subscriber services as of December 31, 2022; • We tested a sample of the relevant data used for the calculation of the deferred revenue balance related to the Telecommunications subscriber services as of December 31, 2022, by comparing the invoice date, the invoice amount, and the types of services to the invoice and the related cash receipt;

INDEPENDENT AUDITOR'S REPORT (continued)

The Corporation's revenue recognition process involves several information technology ("IT") applications responsible for the initiation, processing, and recording of transactions from the Corporation's various customers, and the calculation and allocation of revenue by service in accordance with the Corporation's accounting policy. The timing of revenue recognition is considered a key audit matter due to the complexity in our audit procedures considering the high volume of subscribers, each receiving different services with varying invoicing schedules.

- We assessed the appropriateness of manual entries posted to the deferred revenue account by agreeing to supporting documentation; and
- We independently developed expectations of revenue per user by service type and compared it to the average revenue per user by service type.

Capitalization of labor costs to property, plant and equipment and to intangible assets in the Telecommunications segment

As disclosed in note 3 to the consolidated financial statements, $143.6 million of labor costs were capitalized to property, plant and equipment and to intangible assets during the year ended December 31, 2022, of which a significant portion relates to the Telecommunications segment.

Given the complexity and high volume of internal projects for which many employees are working on in the Telecommunications segment, the capitalization of labor costs is considered to be a key audit matter.

To test the capitalization of labor costs to property, plant and equipment and to intangible assets in the Telecommunications segment, our audit procedures included, among others, the following:

- We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls related to the capitalization of labor costs;
- We discussed with project managers, for a sample of significant projects, the nature of the project and the nature of the costs capitalized;
- We analyzed variances compared to the budget for each cost category, including labor costs, and corroborated variances compared to the budget to supporting documents such as invoices or employee timesheets;
- We corroborated, on a sample basis, labor costs capitalized by comparing the number of hours worked by an employee and their charge out rate on a specific project to the approved timesheet; and
- We also performed analytical procedures by comparing the proportion of internal labor per project to prior year.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR’S REPORT (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lily Adam.

Ernst & Young LLP[1]

Montréal (Canada)
February 22, 2023

[1] CPA auditor public accountancy permit no. A120803

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2022 and 2021
(in millions of Canadian dollars, except earnings per share data)

	Note		**2022**		2021
Revenues	2	**$**	**4,531.9**	$	4,554.4
Employee costs	3		**696.9**		685.0
Purchase of goods and services	3		**1,900.5**		1,896.2
Depreciation and amortization	13, 14, 15		**767.7**		783.8
Financial expenses	4		**323.0**		333.4
Loss (gain) on valuation and translation of financial instruments	5		**19.2**		(14.4)
Restructuring of operations and other items	6		**14.5**		4.1
Loss on debt refinancing	7		**–**		80.9
Income before income taxes			**810.1**		785.4
Income taxes (recovery):	8				
Current			**276.7**		256.9
Deferred			**(63.3)**		(59.9)
			213.4		197.0
Net income		**$**	**596.7**	$	588.4
Net income (loss) attributable to					
Shareholders		**$**	**599.7**	$	578.4
Non-controlling interests			**(3.0)**		10.0
Earnings per share attributable to shareholders	9				
Basic		**$**	**2.55**	$	2.38
Diluted			**2.55**		2.29
Weighted average number of shares outstanding (in millions)			**235.2**		243.5
Weighted average number of diluted shares (in millions)			**235.2**		248.3

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2022 and 2021
(in millions of Canadian dollars)

	Note		2022		2021
Net income		**$**	**596.7**	$	588.4
Other comprehensive income:					
Items that may be reclassified to income:					
Cash flow hedges:					
(Loss) gain on valuation of derivative financial instruments			**(67.6)**		0.4
Deferred income taxes			**8.5**		3.1
Loss on translation of investments in foreign associates			**(5.8)**		(17.6)
Items that will not be reclassified to income:					
Defined benefit plans:					
Re-measurement gain	31		**141.3**		189.5
Deferred income taxes			**(37.4)**		(50.2)
Equity investment:					
(Loss) gain on revaluation of an equity investment			**(12.2)**		1.8
Deferred income taxes			**1.6**		(0.2)
Reclassification to income:					
Gain related to cash flow hedges	7		**–**		(1.0)
Deferred income taxes			**–**		0.6
			28.4		126.4
Comprehensive income		**$**	**625.1**	$	714.8
Comprehensive income attributable to					
Shareholders		**$**	**620.8**	$	693.0
Non-controlling interests			**4.3**		21.8

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

Years ended December 31, 2022 and 2021
(in millions of Canadian dollars)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income		
	(note 23)			(note 25)		
Balance as of December 31, 2020	$ 1,017.8	$ 17.4	$ 211.3	$ (133.9)	$ 101.5	$ 1,214.1
Net income	–	–	578.4	–	10.0	588.4
Other comprehensive income	–	–	–	114.6	11.8	126.4
Dividends	–	–	(267.6)	–	(0.1)	(267.7)
Repurchase of Class B Shares	(52.6)	–	(229.8)	–	–	(282.4)
Balance as of December 31, 2021	965.2	17.4	292.3	(19.3)	123.2	1,378.8
Net income (loss)	–	–	599.7	–	(3.0)	596.7
Other comprehensive income	–	–	–	21.1	7.3	28.4
Dividends	–	–	(282.1)	–	(1.3)	(283.4)
Repurchase of Class B Shares	(49.0)	–	(188.0)	–	–	(237.0)
Balance as of December 31, 2022	**$ 916.2**	**$ 17.4**	**$ 421.9**	**$ 1.8**	**$ 126.2**	**$ 1,483.5**

See accompanying notes to consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2022 and 2021
(in millions of Canadian dollars)

	Note	2022	2021
Cash flows related to operating activities			
Net income		**$ 596.7**	$ 588.4
Adjustments for:			
Depreciation of property, plant and equipment	13	**548.5**	577.4
Amortization of intangible assets	14	**176.5**	165.3
Depreciation of right-of-use assets	15	**42.7**	41.1
Loss (gain) on valuation and translation of financial instruments	5	**19.2**	(14.4)
Loss (gain) on disposal of other assets	6	**0.5**	(19.4)
Impairment of assets	6	**3.7**	1.5
Loss on debt refinancing	7	**–**	80.9
Amortization of financing costs	4	**7.3**	7.9
Deferred income taxes	8	**(63.3)**	(59.9)
Other		**(6.0)**	0.9
		1,325.8	1,369.7
Net change in non-cash balances related to operating activities		**(63.1)**	(187.1)
Cash flows provided by operating activities		**1,262.7**	1,182.6
Cash flows related to investing activities			
Additions to property, plant and equipment	11, 13	**(395.1)**	(429.3)
Deferred subsidies (used) received to finance additions to property, plant and equipment	1(a), 11	**(123.1)**	162.4
		(518.2)	(266.9)
Additions to intangible assets	14	**(91.4)**	(1,018.7)
Business acquisitions	10	**(22.1)**	(21.0)
Proceeds from disposals of assets		**7.0**	7.7
Acquisition of investments and other	17	**(6.6)**	(75.2)
Cash flows used in investing activities		**(631.3)**	(1,374.1)
Cash flows related to financing activities			
Net change in bank indebtedness		**10.1**	(1.7)
Net change under revolving facilities, net of financing costs	19	**(213.3)**	269.8
Issuance of long-term debt, net of financing costs	19	**–**	1,986.8
Repayment of long-term debt	7, 19	**(44.6)**	(1,565.4)
Repayment of lease liabilities	20	**(42.8)**	(41.1)
Settlement of hedging contracts	7	**(1.6)**	183.6
Repurchase of Class B Shares	23	**(237.0)**	(282.4)
Dividends		**(282.1)**	(267.6)
Dividends paid to non-controlling interests		**(1.3)**	(0.1)
Cash flows (used in) provided by financing activities		**(812.6)**	281.9
Net change in cash, cash equivalents and restricted cash		**$ (181.2)**	$ 90.4

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2022 and 2021
(in millions of Canadian dollars)

	Note		2022		2021
Net change in cash, cash equivalents and restricted cash		**$**	**(181.2)**	$	90.4
Cash, cash equivalents and restricted cash at beginning of the year			**227.1**		136.7
Cash, cash equivalents and restricted cash at end of the year		**$**	**45.9**	$	227.1
Additional information on the consolidated statements of cash flows					
Cash, cash equivalents and restricted cash consist of					
Cash		**$**	**6.2**	$	63.6
Cash equivalents			**0.4**		1.1
Restricted cash	1(a)		**39.3**		162.4
		$	**45.9**	$	227.1
Changes in non-cash balances related to operating activities (excluding the effect of business acquisitions and disposals)					
Accounts receivable		**$**	**(94.3)**	$	(208.2)
Contract assets			**86.5**		91.5
Inventories			**(138.6)**		(46.9)
Accounts payable, accrued charges and provisions			**81.0**		23.5
Income taxes			**(19.1)**		(24.7)
Deferred revenue			**(3.5)**		6.3
Defined benefit plans			**11.3**		14.2
Other			**13.6**		(42.8)
		$	**(63.1)**	$	(187.1)
Interest and taxes reflected as operating activities					
Cash interest payments		**$**	**311.3**	$	332.1
Cash income tax payments (net of refunds)			**282.4**		282.3

Non-cash investing transactions are presented in notes 6, 13, 14 and 15.

See accompanying notes to consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS

December 31, 2022 and 2021
(in millions of Canadian dollars)

	Note	2022	2021
Assets			
Current assets			
Cash and cash equivalents		**$ 6.6**	$ 64.7
Restricted cash	11	**39.3**	162.4
Accounts receivable	12, 17	**840.7**	745.1
Contract assets	17	**50.2**	129.4
Income taxes		**10.8**	7.3
Inventories	17	**406.2**	282.6
Derivative financial instruments	29	**320.8**	–
Other current assets	17	**135.5**	132.0
		1,810.1	1,523.5
Non-current assets			
Property, plant and equipment	13	**2,897.6**	3,058.7
Intangible assets	14	**2,275.0**	2,344.1
Right-of-use assets	15	**155.4**	152.3
Goodwill	16	**2,726.0**	2,718.5
Derivative financial instruments	29	**199.5**	405.6
Deferred income taxes	8	**22.0**	39.2
Other assets	17	**539.7**	521.1
		8,815.2	9,239.5
Total assets		**$ 10,625.3**	$ 10,763.0

QUEBECOR INC.
CONSOLIDATED BALANCE SHEETS (continued)

December 31, 2022 and 2021
(in millions of Canadian dollars)

	Note	2022	2021
Liabilities and equity			
Current liabilities			
Bank indebtedness		**$ 10.1**	$ –
Accounts payable, accrued charges and provisions	18	**950.3**	861.0
Deferred revenue		**305.8**	309.7
Deferred subsidies	11	**39.3**	162.4
Income taxes		**31.2**	47.4
Current portion of long-term debt	19	**1,161.1**	56.5
Current portion of lease liabilities	20	**37.0**	36.1
		2,534.8	1,473.1
Non-current liabilities			
Long-term debt	19	**5,317.7**	6,467.9
Derivative financial instruments	29	**–**	23.3
Convertible debentures	22	**150.0**	150.0
Lease liabilities	20	**149.2**	147.1
Deferred income taxes	8	**780.3**	829.6
Other liabilities	21	**209.8**	293.2
		6,607.0	7,911.1
Equity			
Capital stock	23	**916.2**	965.2
Contributed surplus		**17.4**	17.4
Retained earnings		**421.9**	292.3
Accumulated other comprehensive income (loss)	25	**1.8**	(19.3)
Equity attributable to shareholders		**1,357.3**	1,255.6
Non-controlling interests		**126.2**	123.2
		1,483.5	1,378.8
Commitments and contingencies	26, 28		
Total liabilities and equity		**$ 10,625.3**	$ 10,763.0

See accompanying notes to consolidated financial statements.

On February 22, 2023, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2022 and 2021.

On behalf of the Board of Directors,

(signed)

Sylvie Lalande
Director and Vice Chair of the Board

(signed)

Chantal Bélanger
Director and President of the Audit and Risk Management Committee

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

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 percentages of voting rights and equity in Quebecor Media and in its major subsidiaries are as follows:

	% voting	% equity
Quebecor Media Inc.	100.0 %	100.0 %
Quebecor Media Inc. interest in its major subsidiaries		
Videotron Ltd.	100.0 %	100.0 %
TVA Group Inc.	99.9 %	68.4 %
MediaQMI Inc.	100.0 %	100.0 %
QMI Spectacles Inc.	100.0 %	100.0 %
Sogides Group Inc.	100.0 %	100.0 %
CEC Publishing Inc.	100.0 %	100.0 %

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.

These segments are managed separately since they all require specific market strategies. The accounting policies of each segment are the same as the accounting policies used for the consolidated financial statements. Segment income includes income from sales to third parties and inter-segment sales. Transactions between segments are measured at exchange amounts between the parties.

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

SEGMENTED INFORMATION

	Telecom-munications	Media	Sports and Entertainment	Head Office and Inter-segments	Total
					2022
Revenues	**$ 3,718.2**	**$ 755.4**	**$ 190.6**	**$ (132.3)**	**$ 4,531.9**
Employee costs	**397.7**	**228.5**	**42.0**	**28.7**	**696.9**
Purchase of goods and services	**1,407.6**	**501.9**	**129.2**	**(138.2)**	**1,900.5**
Adjusted EBITDA[1]	**1,912.9**	**25.0**	**19.4**	**(22.8)**	**1,934.5**
Depreciation and amortization					**767.7**
Financial expenses					**323.0**
Loss on valuation and translation of financial instruments					**19.2**
Restructuring of operations and other items					**14.5**
Income before income taxes					**$ 810.1**
Cash flows used for					
Additions to property, plant and equipment[2]	**$ 369.7**	**$ 23.5**	**$ 1.0**	**$ 0.9**	**$ 395.1**
Additions to intangible assets	**75.1**	**12.2**	**2.9**	**1.2**	**91.4**

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 (gain) on valuation and translation of financial instruments, restructuring of operations and other items, loss on debt refinancing and income taxes.

2 Subsidies of $123.1 million for the year ended December 31, 2022 related to the roll-out of high-speed internet services in various regions of Quebec are presented as a reduction of the corresponding additions to property, plant and equipment in the Telecommunications segment (see note 11).

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

SEGMENTED INFORMATION (continued)

	Telecom-munications	Media	Sports and Entertainment	Head Office and Inter-segments	Total
					2021
Revenues	$ 3,735.0	$ 776.0	$ 167.0	$ (123.6)	$ 4,554.4
Employee costs	405.9	221.2	33.2	24.7	685.0
Purchase of goods and services	1,453.4	471.4	113.4	(142.0)	1,896.2
Adjusted EBITDA[1]	1,875.7	83.4	20.4	(6.3)	1,973.2
Depreciation and amortization					783.8
Financial expenses					333.4
Gain on valuation and translation of financial instruments					(14.4)
Restructuring of operations and other items					4.1
Loss on debt refinancing					80.9
Income before income taxes					$ 785.4
Cash flows used for					
Additions to property, plant and equipment[2]	$ 407.3	$ 19.7	$ 0.8	$ 1.5	$ 429.3
Additions to intangible assets	986.1	25.5	3.5	3.6	1,018.7

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 (gain) on valuation and translation of financial instruments, restructuring of operations and other items, loss on debt refinancing and income taxes.

2 Subsidies of $53.8 million for the year ended December 31, 2021 related to the roll-out of high-speed internet services in various regions of Quebec are presented as a reduction of the corresponding additions to property, plant and equipment in the Telecommunications segment (see note 11).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments (notes 1(i) and 1(v)), the liability related to stock-based compensation (note 1(t)) and the net defined benefit liability (note 1(u)), and they are presented in Canadian dollars ("CAN dollars"), which is the currency of the primary economic environment in which the Corporation operates ("functional currency").

Comparative figures for the year ended December 31, 2021 have been restated to conform to the presentation adopted for the year ended December 31, 2022.

In particular, since the second quarter of 2022, restricted cash is presented with cash and cash equivalents on the consolidated statements of cash flows, in line with the IFRS Interpretations Committee's agenda decision finalized in the second quarter of 2022 that clarifies the presentation of cash subject to contractual restrictions agreed with a third party (see note 11). Prior period information has been restated to reflect the new presentation. Accordingly, deferred subsidies used to finance additions to property, plant and equipment related to the roll-out of high-speed Internet services in various regions of Québec are now presented under investing activities, which has the effect of increasing cash used in investing activities by $123.1 million for the year ended December 31, 2022 and decreasing cash used in investing activities by $162.4 million for the year ended December 31, 2021.

(b) Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. Intercompany transactions and balances are eliminated on consolidation.

A subsidiary is an entity controlled by the Corporation. Control is achieved when the Corporation is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Non-controlling interests in the net assets and results of consolidated subsidiaries are identified separately from the parent corporation's ownership interest. Non-controlling interests in the equity of a subsidiary consist of the amount of non-controlling interests calculated at the date of the original business combination and their share of changes in equity since that date. Changes in non-controlling interests in a subsidiary that do not result in a loss of control by the Corporation are accounted for as equity transactions.

(c) Business acquisition

A business acquisition is accounted for by the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration can be comprised of cash, assets transferred, financial instruments issued, or future contingent payments. The identifiable assets and liabilities of the acquired business are recognized at their fair value at the acquisition date. Results of operations of an acquired business are included in the Corporation's consolidated financial statements from the date of the business acquisition. Business acquisition and integration costs are expensed as incurred and included as other items in the consolidated statements of income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation

Foreign currency transactions are translated to the functional currency by applying the exchange rate prevailing at the date of the transaction. Translation gains and losses on monetary assets and liabilities denominated in a foreign currency are included in financial expenses, or in gain or loss on valuation and translation of financial instruments.

Investment transactions in foreign associates and the Corporation’s share in their results of operations are translated at the exchange rate prevailing at the date of the transaction. Investments in foreign associates on the consolidated balance sheets are translated at the exchange rate prevailing at the end of the reporting period and all resulting translation differences are then recorded in other comprehensive income as a loss on translation of investments in foreign associates.

(e) Revenue recognition

The Corporation accounts for a contract with a customer only when all of the following criteria are met:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- the entity can identify each party's rights regarding the goods or services to be transferred;
- the entity can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and
- it is probable that the entity will collect the consideration to which it is entitled in exchange for the goods or services to be transferred to the customer.

The portion of revenues that is invoiced and unearned is presented as “Deferred revenue” on the consolidated balance sheets. Deferred revenue is usually recognized as revenue in the subsequent year.

<u>Telecommunications</u>

The Telecommunications segment provides services under multiple deliverable arrangements, mainly for mobile contracts in which the sale of mobile devices is bundled with telecommunication services over the contract term. The total consideration from a contract with multiple deliverables is allocated to all performance obligations in the contract based on the stand-alone selling price of each obligation. The total consideration can be comprised of an upfront fee or a number of monthly installments for the equipment sale and a monthly fee for the telecommunication service. Each performance obligation of multiple deliverable arrangements is then separately accounted for based on its allocated consideration amount.

The Corporation does not adjust the amount of consideration allocated to the equipment sale for the effects of a financing component since this component is not significant.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition (continued)

Telecommunications (continued)

The Telecommunications segment recognizes each of its main activities' revenues as follows:

- operating revenues from subscriber services, such as television distribution, Internet access, wireline and mobile telephony, and over-the-top video services are recognized when services are provided;
- revenues from equipment sales to subscribers are recognized when the equipment is delivered;
- operating revenues related to service contracts are recognized in income on a straight-line basis over the period in which the services are provided; and
- wireline connection and mobile activation revenues are deferred and recognized respectively as revenues over the period of time the customer is expected to remain a customer of the Corporation and over the contract term.

When a mobile device and a service are bundled under a single mobile contract, the term of the contract is generally 24 months.

The portion of mobile revenues earned without being invoiced is presented as contract assets on the consolidated balance sheets. Contract assets are realized over the term of the contract.

Media

The Media segment recognizes each of its main activities' revenues as follows:

- advertising revenues are recognized when the advertising is aired on television, is featured in newspapers or magazines or is displayed on the digital properties or on transit shelters;
- revenues from subscriptions to specialty television channels or to online publications are recognized on a monthly basis at the time service is provided or over the period of the subscription;
- revenues from the sale or distribution of newspapers and magazines are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- soundstage and equipment rental revenues are recognized over the rental period;
- revenues derived from speciality film and television services are recognized when services are provided; and
- revenues from distribution of audiovisual content are recognized when the content has been delivered and accepted in accordance with the conditions of the licence or distribution agreement.

Sports and Entertainment

The Sports and Entertainment segment recognizes each of its main activities' revenues as follows:

- revenues from the sale or distribution of books and entertainment products are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- revenues from venue rental, ticket sales (including season tickets) and sales from food concessions are recognized when the events take place and/or goods are sold, as the case may be;
- revenues from the rental of suites are recognized ratably over the period of the agreement;
- revenues from the sale of advertising in the form of venue signage or sponsorships are recognized ratably over the period of the agreement; and
- revenues derived from sporting and cultural event management are recognized when services are provided.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of assets

For the purposes of assessing impairment, assets are grouped in cash-generating units ("CGUs"), which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Corporation reviews, at each balance sheet date, whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment each financial year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use of the asset or the CGU. Fair value less costs of disposal represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or the CGU.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income to the extent that the resulting carrying value does not exceed the carrying value that would have been the result had no impairment loss been recognized previously.

(g) Income taxes

Current income taxes are recognized with respect to amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be reduced subsequently, if necessary, to an amount that is more likely than not to be realized. A deferred tax expense or benefit is recognized either in other comprehensive income or directly in equity to the extent that it relates to items that are recognized in other comprehensive income or directly in equity in the same or a different period.

In the course of the Corporation's operations, there are a number of uncertain tax positions due to the complexity of certain transactions and to the fact that related tax interpretations and legislation are continually changing. When a tax position is uncertain, the Corporation recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or when the income tax liability is no longer probable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leases

The Corporation recognizes, for most of its leases, a right-of-use asset and a lease liability at the commencement of a lease. The right-of-use asset and the lease liability are initially measured at the present value of lease payments over the lease term, less incentive payments received, using the Corporation's incremental borrowing rate at that date or the interest rate implicit in the lease. The term of the lease is comprised of the initial lease term and any additional period for which it is reasonably certain that the Corporation will exercise its extension option.

Right-of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset.

Interest on lease liabilities is recorded in the consolidated statements of income as financial expenses and principal payments on the lease liability are presented as part of financing activities in the consolidated statements of cash flows.

(i) Financial instruments

Classification, recognition and measurement

Most financial assets and liabilities are classified as subsequently measured at amortized cost, except for derivative financial instruments, which are measured at fair value through other comprehensive income or through profit or loss, and an equity investment, which is measured at fair value through other comprehensive income. In addition, contingent consideration and future conditional adjustments arising from a business acquisition or disposal are measured at fair value at the transaction date with subsequent changes in fair value recorded in the consolidated statements of income.

Derivative financial instruments and hedge accounting

The Corporation uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Corporation documents all hedging relationships between hedging instruments and hedged items, as well as its strategy for using hedges and its risk-management objective. It also designates its derivative financial instruments as either fair value hedges or cash flow hedges when they qualify for hedge accounting. The Corporation assesses the effectiveness of its hedging relationships at initiation and on an ongoing basis.

The Corporation generally enters into the following types of derivative financial instruments:

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency swaps to hedge (i) foreign currency rate exposure on interest and principal payments on foreign-currency-denominated debt and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation has established a hedge ratio of one-for-one for all its hedging relationships as the underlying risks of its hedging derivatives are identical to the hedged item risks.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

The Corporation measures and records the effectiveness of its hedging relationships as follows:

- For cash flow hedges, the hedge effectiveness is tested and measured by comparing changes in the fair value of the hedging derivative with the changes in the fair value of a hypothetical derivative that simulates the cash flows of the hedged item.
- For fair value hedges, the hedge effectiveness is tested and measured by comparing changes in the fair value of the hedging derivative with the changes in the fair value of the hedged item attributable to the hedged risk.
- Most of the Corporation's hedging relationships are not generating material ineffectiveness. The ineffectiveness, if any, is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Under hedge accounting, the Corporation applies the following accounting policies:

- For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging derivative recorded in income are substantially offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When a fair value hedge is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to income over the remaining term of the original hedging relationship.
- For derivative financial instruments designated as cash flow hedges, the effective portion of a hedge is reported in other comprehensive income until it is recognized in income during the same period in which the hedged item affects income, while the ineffective portion is immediately recognized in income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated other comprehensive income are reclassified to income when the variability in the cash flows of the hedged item affects income.

Any change in the fair value of derivative financial instruments recorded in income is included in gain or loss on valuation and translation of financial instruments. Interest expense on hedged long-term debt is reported at the hedged interest and foreign currency rates.

Derivative financial instruments that do not qualify for hedge accounting, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts, are reported on a fair value basis on the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financing costs

Financing costs related to long-term debt are capitalized in reduction of long-term debt and amortized using the effective interest rate method.

(k) Tax credits and government assistance

The Corporation has access to several government programs designed to support large investment projects, the roll-out of high-speed Internet services in various regions of Québec, production and distribution of televisual products and movies, as well as music products, magazine and book publishing in Canada. In addition, most of the business units in the Media segment and Sports and Entertainment segment have qualified for the Emergency Wage Subsidy program available during the COVID-19 health crisis. The Corporation also receives tax credits mainly related to its research and development activities, publishing activities and digital activities. Government financial assistance is accounted for as a revenue or as a reduction in related costs, whether capitalized and amortized or expensed, in the year the costs are incurred and when management has reasonable assurance that the conditions of the government programs are being met.

(l) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments purchased three months or less from maturity and are recorded at fair value. These highly liquid investments consist mainly of Bankers' acceptances and term deposits.

(m) Trade receivables and contract assets

Trade receivables and contract assets are presented net of a provision for expected credit losses. The Corporation is using the IFRS 9 expected credit losses method to estimate that provision, which considers the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions. Amounts receivable are written off when deemed uncollectible.

(n) Inventories

Inventories are valued at the lower of cost, determined by the first-in, first-out method or the weighted-average cost method, and net realizable value. Net realizable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. When the circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down is reversed.

Inventories related to audiovisual content comprise mainly televisual productions and broadcast rights. Production costs includes direct employee costs, goods and services costs and general expenses allocated to each production. Broadcasting rights are essentially contractual rights allowing the limited or unlimited broadcast of televisual products or movies. The Corporation records the rights acquired as inventory and the obligations incurred under a licence agreement as a liability when the contractual broadcast period begins and the contractual conditions of the licence are met. Audiovisual content costs are amortized to operating expenses when the production is broadcast or over the contractual broadcasting period, using a method based on how future economic benefits from those rights will be generated, or on a straight-line basis over the contractual broadcasting period or a period not exceeding 3 years beginning at the moment that the content is made available on the Corporation's over-the-top video services platforms.

The net realizable value of inventories related to audiovisual content is examined periodically by management and revised as necessary. The carrying value of the related inventories is reduced to the net realizable value, if necessary, based on this assessment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Long-term investments

Investments in companies subject to significant influence ("associates") are accounted for using the equity method and recorded in "Other assets" on the consolidated balance sheets. Under the equity method, the share of the results of operations of an associate is recorded in the consolidated statements of income. Carrying values of investments are reduced to estimated fair values if there is objective evidence that the investment is impaired.

(p) Property, plant and equipment

Property, plant and equipment are recorded at cost. Cost represents the acquisition costs, net of government subsidies and investment tax credits, or construction costs, including preparation, installation and testing costs. In the case of projects to construct wireline and mobile networks, the cost includes equipment, direct labour and related overhead costs. Projects under development may also be comprised of advance payments made to suppliers for equipment under construction.

Borrowing costs are also included in the cost of property, plant and equipment during the development phase. Expenditures, such as maintenance and repairs, are expensed as incurred.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Assets	Estimated useful lives
Buildings and leasehold improvements	5 to 40 years
Machinery and equipment	3 to 20 years
Telecommunication networks	3 to 20 years

Depreciation methods, residual values, and the useful lives of significant property, plant and equipment are reviewed at least once a year. Any change is accounted for prospectively as a change in accounting estimate.

Leasehold improvements are depreciated over the shorter of the term of the lease and their estimated useful life.

A decommissioning obligation in connection with the Corporation's mobile network is recorded at the net present value of the estimated future expenditures required to settle the estimated future obligation at the consolidated balance sheet date. Changes in estimates of the decommissioning obligation are reflected in property, plant and equipment on the consolidated balance sheets. The Corporation does not record any decommissioning obligations in connection with its wireline distribution networks. The Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, making the retirement date so far into the future that the present value of the restoration costs is insignificant for those assets.

Videotron Ltd. ("Videotron") is engaged in an agreement to operate a shared LTE network in the Province of Québec and in the Ottawa area.

(q) Goodwill and intangible assets

Goodwill

Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed.

Goodwill is allocated as at the date of a business acquisition to a CGU for purposes of impairment testing (note 1(f)). The allocation is made to the CGU or group of CGUs expected to benefit from the synergies of the business acquisition.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Goodwill and intangible assets (continued)

Intangible assets

Spectrum licences are recorded at cost. Spectrum licences have an indefinite useful life and are not amortized, in view of the following facts: (i) the Corporation intends to renew the spectrum licences and believes that they are likely to be renewed by Innovation, Science and Economic Development Canada ("ISED"); (ii) the Corporation has the financial and operational ability to renew these spectrum licences; (iii) currently, the competitive, legal and regulatory landscape does not limit the useful lives of the spectrum licences; and (iv) the Corporation foresees no limit to the period during which these licences can be expected to generate cash flows in the future.

Software is recorded at cost. In particular, internally generated intangible assets such as software and website development are mainly comprised of internal costs in connection with the development of assets to be used internally or to provide services to customers. These costs are capitalized when the development stage of the software application begins and costs incurred prior to that stage are recognized as expenses.

Broadcasting licences, trademarks and sport franchises also have an indefinite useful life and are not amortized. These intangible assets are recorded at cost or at fair value at the acquisition date if they are acquired through a business acquisition.

Naming rights for the Videotron Centre in Québec City are recognized at cost.

Customer relationships and other intangible assets acquired through a business acquisition are recorded at fair value at the date of acquisition.

Borrowing costs directly attributable to the acquisition, development or production of an intangible asset are also included as part of the cost of that asset during the development phase.

Intangible assets with finite useful lives are amortized over their useful lives using the straight-line method over the following periods:

Assets	Estimated useful lives
Software	3 to 7 years
Naming rights	25 years
Customer relationships and other	3 to 10 years

Amortization methods, residual values, and the useful lives of significant intangible assets are reviewed at least once a year. Any change is accounted for prospectively as a change in accounting estimate.

(r) Contract costs

Incremental and direct costs, such as costs to obtain a contract, mainly sales commissions, or the cost of connecting a subscriber to the Corporation's telecommunication network, are included in contract costs and amortized over the period of time the customer is expected to maintain its service or over the contract term. The amortization of contract costs is included in purchase of goods and services in the consolidated statements of income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Provisions

Provisions are recognized (i) when the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and (ii) when the amount of the obligation can be reliably estimated.

Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected that the plan will be carried out.

Provisions are reviewed at each consolidated balance sheet date and changes in estimates are reflected in the consolidated statements of income in the reporting period in which the changes occur.

(t) Stock-based compensation

Stock-based awards to employees that call for settlement in cash, deferred share units (“DSUs”) or performance share units (“PSUs”), or that call for settlement in cash at the option of the employee as stock option awards, are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

The fair value of DSUs and PSUs is based on the underlying share price at the date of valuation. The fair value of stock option awards is determined by applying an option pricing model, taking into account the terms and conditions of the grant. Key assumptions are described in note 24.

(u) Pension plans and postretirement benefits

The Corporation offers defined contribution pension plans and defined benefit pension plans to some of its employees.

(i) Defined contribution pension plans

Under its defined contribution pension plans, the Corporation pays fixed contributions to participating employees’ pension plans and has no legal or constructive obligation to pay any further amounts. Obligations for contributions to defined contribution pension plans are recognized as employee benefits in the consolidated statements of income when the contributions become due.

(ii) Defined benefit pension plans and postretirement plans

Defined benefit pension plan costs are determined using actuarial methods and are accounted for using the projected unit credit method, which incorporates management’s best estimates of future salary levels, other cost escalations, retirement ages of employees, and other actuarial factors. Defined benefit pension costs, recognized in the consolidated statements of income as employee costs, mainly include the following:

- service costs provided in exchange for employee services rendered during the period;
- prior service costs recognized at the earlier of (a) when the employee benefit plan is amended or (b) when restructuring costs are recognized; and
- curtailment or settlement gain or loss.

Interest on net defined benefit liability or asset, recognized in the consolidated statements of income as financial expenses, is determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Pension plans and postretirement benefits (continued)

(ii) Defined benefit pension plans and postretirement plans (continued)

Re-measurements of the net defined benefit liability or asset are recognized immediately in other comprehensive income (loss) and in accumulated other comprehensive (loss) income. Re-measurements are comprised of the following:

- actuarial gains and losses arising from changes in financial and demographic actuarial assumptions used to determine the defined benefit obligation or from experience adjustments to liabilities;
- the difference between actual return on plan assets and interest income on plan assets anticipated as part of the interest on net defined benefit liability or asset calculation; and
- changes in the net benefit asset limit or in the minimum funding liability.

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the present value of future contributions to the plan, to the extent that the Corporation can unilaterally reduce those future contributions. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in a certain number of the Corporation's pension plans.

The Corporation also offers discounts on telecommunication services and health, life and dental insurance plans to some of its retired employees. The cost of postretirement benefits is determined using an accounting methodology similar to that for defined benefit pension plans. The benefits related to these plans are funded by the Corporation as they become due.

(v) Convertible debentures

The convertible debentures are accounted for as a financial liability and the cap and floor conversion price features are accounted for separately as embedded derivatives. The embedded derivatives are measured at fair value and any subsequent change in the fair value is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

(w) Use of estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. Although these estimates are based on management's best judgment and information available at the time of the assessment date, actual results could differ from those estimates.

The following significant areas represent management's most difficult, subjective or complex estimates:

(i) Recoverable amount of an asset or a CGU

When an impairment test is performed on an asset or a CGU, management estimates the recoverable amount of the asset or CGU based on its fair value less costs of disposal or its value in use. These estimates are based on valuation models requiring the use of a number of assumptions such as forecasts of future cash flows, pre-tax discount rate (WACC) and perpetual growth rate, or the use of multiples of operating performance of comparable entities. These assumptions have a significant impact on the results of impairment tests and on the impairment charge, as the case may be, recorded in the consolidated statements of income. A description of key assumptions used in the goodwill impairment tests and a sensitivity analysis of recoverable amounts are presented in note 16.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Use of estimates and judgments (continued)

(ii) Costs and obligations related to pension and postretirement benefit plans

Estimates of costs and obligations related to pension and postretirement benefit obligations are based on a number of assumptions, such as the discount rate, the rate of increase in compensation, the retirement age of employees, health care costs, and other actuarial factors. Certain of these assumptions may have a significant impact on employee costs and financial expenses recorded in the consolidated statements of income, the re-measurement gain or loss on defined benefit plans recorded in the consolidated statements of comprehensive income, and the carrying value of other assets or other liabilities on the consolidated balance sheets. Key assumptions and a sensitivity analysis of the discount rate are presented in note 31.

(iii) Provisions

The recognition of provisions requires management to estimate expenditures required to settle a present obligation or to transfer it to a third party at the date of assessment. It can also require an assessment of the probable outcomes of legal proceedings or other contingencies. Management expectations on the potential effect of the possible outcomes of legal disputes on the consolidated financial statements are presented in note 28.

(iv) Contingent considerations and future conditional adjustments

Contingent considerations and future conditional adjustments arising from business acquisition or disposal are measured and accounted for at their fair value. The fair value is estimated based on a present value model requiring management to assess the probabilities that the conditions on which the contingent considerations and future conditional adjustments are based will be met in the future. The assessment of these contingent potential outcomes requires judgment from management and could have an impact on the initial amount of contingent considerations or future conditional adjustments recognized and on any subsequent changes in fair value recorded in the consolidated statements of income.

(v) Purchase price allocations

As part of the purchase price allocation related to a business acquisition, the identifiable assets and liabilities of the business acquired are recognized at their fair value at the acquisition date. The determination of fair value requires management to make assumptions, estimates and judgments regarding a number of factors. It also requires management to determine the most appropriate valuation method to estimate the fair value of each asset. The determination of a purchase price allocation could have an impact on the carrying value of assets and liabilities on the consolidated balance sheets, on the depreciation and amortization charge recorded in the consolidated statements of income, as well as on the results of impairment tests and on the impairment charge.

The following areas represent management’s most significant judgments, apart from those involving estimates:

(i) Useful life periods for the depreciation and amortization of assets with finite useful lives

For each class of assets with finite useful lives, management has to determine over which period the Corporation will consume the assets’ future economic benefits. The determination of a useful life period involves judgment and has an impact on the depreciation and amortization charge recorded in the consolidated statements of income.

(ii) Indefinite useful life of spectrum licences

Management has concluded that spectrum licences have an indefinite useful life. This conclusion was based on an analysis of factors, such as the Corporation’s financial ability to renew the spectrum licences, the competitive, legal and regulatory landscape, and future expectations regarding the use of the spectrum licences. The determination that spectrum licences have an indefinite useful life therefore involves judgment, which could have an impact on the amortization charge recorded in the consolidated statements of income if management were to change its conclusion in the future.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Use of estimates and judgments (continued)

(iii) Interpretation of laws and regulations

Interpretation of laws and regulation, including those of the Canadian Radio-television and Telecommunications Commission (CRTC) and tax regulations, requires judgment from management and could have an impact on revenue recognition, provisions, income taxes and capital expenditures in the consolidated financial statements.

(x) Future changes to accounting standards

The IASB has issued the following amendments to accounting standards that will become effective for the annual period beginning on January 1, 2023:

- Amendments to IAS 1*, Presentation of financial statements - Disclosure of accounting policies*, to require entities to disclose material accounting policies information rather than significant accounting policies;
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors*, to clarify the definition of the terms "accounting policy" and "accounting estimate";
- Amendments to IAS 12, *Income Taxes - Deferred income taxes related to assets and liabilities arising from a single transaction*, to restrict the scope of the exemption related to the recognition of deferred income taxes.

The Corporation does not expect these amendments to accounting policies to have a material impact on its consolidated financial statements.

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

2. REVENUES

	2022	2021
Telecommunications:		
Internet	**$ 1,238.1**	$ 1,201.4
Television	**799.2**	836.1
Mobile telephony	**780.3**	712.5
Wireline telephony	**292.5**	318.5
Mobile equipment sales	**322.2**	276.4
Wireline equipment sales	**92.2**	204.0
Other	**193.7**	186.1
Media:		
Advertising	**336.3**	354.0
Subscription	**196.8**	202.7
Other	**222.3**	219.3
Sports and Entertainment	**190.6**	167.0
Inter-segments	**(132.3)**	(123.6)
	$ 4,531.9	$ 4,554.4

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

The main components are as follows:

	2022	2021
Employee costs	**$ 840.5**	$ 857.0
Less employee costs capitalized to property, plant and equipment and to intangible assets	**(143.6)**	(172.0)
	696.9	685.0
Purchase of goods and services[1]:		
Royalties, rights and creation costs	**780.0**	749.5
Cost of products sold	**487.6**	513.5
Service contracts	**141.0**	193.9
Marketing, circulation and distribution expenses	**91.3**	85.7
Other	**400.6**	353.6
	1,900.5	1,896.2
	$ 2,597.4	$ 2,581.2

[1] Cost of inventories included in purchase of goods and services amounted to $897.0 million in 2022 ($897.5 million in 2021). Write-downs of inventories totalling $7.5 million were recognized in purchase of goods and services in 2022 ($7.3 million in 2021).

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

4. FINANCIAL EXPENSES

	2022	2021
Interest on long-term debt and on debentures	$ 304.3	$ 312.4
Amortization of financing costs	7.3	7.9
Interest on lease liabilities	8.1	8.5
Interest on net defined benefit liability	4.9	8.8
Loss (gain) on foreign currency translation of short-term monetary items	2.5	(1.0)
Other	(4.1)	(3.2)
	$ 323.0	$ 333.4

5. LOSS (GAIN) ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	2022	2021
Loss (gain) on embedded derivatives related to convertible debentures	$ 18.4	$ (14.9)
Other	0.8	0.5
	$ 19.2	$ (14.4)

6. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

In 2022, a charge of $4.6 million was recorded in connection with cost reduction initiatives in the Corporation’s various segments ($17.6 million in 2021), while a $3.7 million impairment charge on assets was also recorded in 2022 ($1.5 million in 2021).

In addition, in 2022, the Corporation also recorded $6.2 million in charges related to other items ($4.6 million in 2021).

On April 1, 2021, Alithya Group Inc. (“Alithya”), a strategy and digital transformation leader, acquired the firm R3D Conseil Inc. (“R3D Conseil”), of which Quebecor was one of the main shareholders, resulting in the recognition of a $19.6 million gain on disposal. As a result of this transaction, the Corporation held 11.9% of Alithya’s share capital and 6.7% of voting rights related to the issued and outstanding shares of Alithya.

7. LOSS ON DEBT REFINANCING

On June 3, 2021, Quebecor Media issued a redemption notice for its Senior Notes in aggregate principal amount of $500.0 million, bearing interest at 6.625% and due January 15, 2023, at a redemption price of 107.934% of their principal amount. Videotron also issued a redemption notice for its Senior Notes in aggregate principal amount of US$800.0 million, bearing interest at 5.000% and due July 15, 2022, at a redemption price of 104.002% of their principal amount. As a result, a net loss of $80.9 million was recorded in the consolidated statement of income in 2021, including a gain of $1.0 million previously recorded in other comprehensive income. In July 2021, the Senior Notes were redeemed and the related hedging contracts were unwound, for a total cash consideration of $1,377.9 million, including the early redemption premium.

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

8. INCOME TAXES

The following table reconciles income taxes at the Corporation's domestic statutory tax rate of 26.5% in both 2022 and 2021 with income taxes in the consolidated statements of income:

	2022	2021
Income taxes at domestic statutory tax rate	**$ 214.7**	$ 208.1
Increase (reduction) resulting from:		
Non-deductible charges, non-taxable income and differences between current and future tax rates	**4.8**	(12.2)
Other	**(6.1)**	1.1
Income taxes	**$ 213.4**	$ 197.0

The significant items comprising the Corporation's net deferred income tax liability and their impact on the deferred income tax expense are as follows:

	Consolidated balance sheets		**Consolidated income statements**	
	2022	2021	**2022**	2021
Loss carryforwards	**$ 81.7**	$ 80.6	**$ (1.1)**	$ (1.4)
Defined benefit plans	**6.2**	38.6	**(5.0)**	(3.0)
Contract assets	**(18.3)**	(41.2)	**(22.9)**	(24.3)
Property, plant and equipment	**(411.0)**	(445.0)	**(34.0)**	(22.6)
Goodwill, intangible assets and other assets	**(333.1)**	(332.8)	**(3.6)**	9.0
Long-term debt, derivative financial instruments and exchangeable debentures	**(116.5)**	(120.6)	**4.4**	(6.6)
Other	**32.7**	30.0	**(1.1)**	(11.0)
	$ (758.3)	$ (790.4)	**$ (63.3)**	$ (59.9)

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

8. INCOME TAXES (continued)

Changes in the net deferred income tax liability are as follows:

		2022		2021
Balance at beginning of year	**$**	**(790.4)**	$	(802.7)
Recognized in income as continuing operations		**63.3**		59.9
Recognized in other comprehensive income		**(27.3)**		(46.7)
Business acquisitions		**(3.9)**		(0.9)
Balance at end of year	**$**	**(758.3)**	$	(790.4)
Deferred income tax asset	**$**	**22.0**	$	39.2
Deferred income tax liability		**(780.3)**		(829.6)
	$	**(758.3)**	$	(790.4)

As of December 31, 2022, the Corporation had loss carryforwards for income tax purposes of $14.2 million available to reduce future taxable income, which will expire between 2035 and 2041. These losses have been recognized. The Corporation also had capital losses of $597.0 million that can be carried forward indefinitely and applied only against future capital gains. All capital losses have been recognized.

There are no income tax consequences attached to the payment of dividends by the Corporation to its shareholders.

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 year. 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.

The following table sets forth the computation of basic and diluted earnings per share attributable to shareholders:

	2022	2021
Net income attributable to shareholders	**$ 599.7**	$ 578.4
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	**–**	(10.6)
Net income attributable to shareholders, adjusted for dilution effect	**$ 599.7**	$ 567.8
Weighted average number of shares outstanding (in millions)	**235.2**	243.5
Potentially dilutive effect of convertible debentures of the Corporation and of stock options of the Corporation (in millions)	**–**	4.8
Weighted average number of diluted shares outstanding (in millions)	**235.2**	248.3

During the year ended December 31, 2022, 1,545,010 options under the Quebecor plan (841,610 options in 2021) and 175,000 options under the TVA Group Inc. ("TVA Group") plan (25,000 options in 2021) were excluded from the diluted earnings per share calculation since their impact is anti-dilutive.

The diluted earnings per share calculation does not take into consideration the potential dilutive effect of convertible debentures of the Corporation in 2022 since their impact is anti-dilutive.

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

10. BUSINESS ACQUISITIONS

2022

- In 2022, Videotron acquired VMedia Inc., an independent telecommunications provider that is well established in the Canadian market. The Corporation also paid a contingent consideration for a prior business acquisition in the Media segment. The total cash consideration paid in 2022 relating to these transactions was $22.1 million.

2021

- In 2021, the Corporation acquired businesses, included in the Telecommunications segment and in the Sports and Entertainment segment, for a total cash consideration of $21.2 million.
- In 2021, a post-closing adjustment of $0.2 million was received relating to a prior acquisition.

11. 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, the government has committed to provide financial assistance in the amount of approximately $258.0 million, which will be fully invested in Videotron's high-speed Internet 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 recorded as deferred subsidies on the consolidated balance sheets (balance of $39.3 million as of December 31, 2022 and $162.4 million as of December 31, 2021). When the investments required under the program are realized, the corresponding subsidies are recognized as a reduction in additions to property, plant and equipment.

12. ACCOUNTS RECEIVABLE

	2022	2021
Trade	**$ 687.7**	$ 614.2
Other	**153.0**	130.9
	$ 840.7	$ 745.1

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

13. PROPERTY, PLANT AND EQUIPMENT

Changes in the net carrying amount of property, plant and equipment are as follows:

	Land, buildings and leasehold improvements	Machinery and equipment	Telecom-munication networks	Projects under development	Total
Cost					
Balance as of December 31, 2020	$ 665.8	$ 2,026.8	$ 6,456.2	$ 95.4	$ 9,244.2
Additions	12.9	58.9	178.6	178.9	429.3
Net change in additions financed with non-cash balances	–	(0.4)	(1.1)	(11.2)	(12.7)
Decommissioning obligation	–	–	37.1	–	37.1
Reclassification	(6.6)	8.7	153.6	(155.7)	–
Retirement, disposals and other	(7.5)	(239.2)	0.1	(0.3)	(246.9)
Balance as of December 31, 2021	664.6	1,854.8	6,824.5	107.1	9,451.0
Additions	5.2	81.9	257.1	50.9	395.1
Net change in additions financed with non-cash balances	–	(2.6)	(9.5)	12.9	0.8
Decommissioning obligation	–	–	(2.7)	–	(2.7)
Reclassification	(5.4)	7.5	81.9	(84.0)	–
Retirement, disposals and other	(0.4)	(165.9)	(44.8)	(0.4)	(211.5)
Balance as of December 31, 2022	**$ 664.0**	**$ 1,775.7**	**$ 7,106.5**	**$ 86.5**	**$ 9,632.7**
Accumulated depreciation and impairment losses					
Balance as of December 31, 2020	$ 297.4	$ 1,663.5	$ 4,094.1	$ –	$ 6,055.0
Depreciation	21.5	119.8	436.1	–	577.4
Retirement, disposals and other	(7.6)	(232.6)	0.1	–	(240.1)
Balance as of December 31, 2021	311.3	1,550.7	4,530.3	–	6,392.3
Depreciation	19.9	97.4	431.2	–	548.5
Retirement, disposals and other	(4.1)	(157.0)	(44.6)	–	(205.7)
Balance as of December 31, 2022	**$ 327.1**	**$ 1,491.1**	**$ 4,916.9**	**$ –**	**$ 6,735.1**
Net carrying amount					
As of December 31, 2021	$ 353.3	$ 304.1	$ 2,294.2	$ 107.1	$ 3,058.7
As of December 31, 2022	**$ 336.9**	**$ 284.6**	**$ 2,189.6**	**$ 86.5**	**$ 2,897.6**

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

14. INTANGIBLE ASSETS

Changes in the net carrying amount of intangible assets are as follows:

	Spectrum licences	Software	Broadcasting licences, naming rights, projects under development and other	Total
Cost				
Balance as of December 31, 2020	$ 979.3	$ 1,389.5	$ 372.3	$ 2,741.1
Additions[1]	830.0	92.3	96.4	1,018.7
Net change in additions financed with non-cash balances	–	(35.3)	43.0	7.7
Business acquisitions	–	–	16.2	16.2
Reclassification	–	68.0	(68.0)	–
Retirement, disposals and other	–	(17.1)	(26.9)	(44.0)
Balance as of December 31, 2021	1,809.3	1,497.4	433.0	3,739.7
Additions	–	49.4	42.0	91.4
Net change in additions financed with non-cash balances	–	5.6	(4.9)	0.7
Business acquisitions	–	11.8	6.0	17.8
Reclassification	–	176.6	(176.6)	–
Retirement, disposals and other	–	(32.3)	(2.8)	(35.1)
Balance as of December 31, 2022	**$ 1,809.3**	**$ 1,708.5**	**$ 296.7**	**$ 3,814.5**

[1] In 2021, Videotron acquired 294 blocks of spectrum in the 3500 MHz band across the country.

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

14. INTANGIBLE ASSETS (continued)

	Spectrum licences	Software	Broadcasting licences, naming rights, projects under development and other	Total
Accumulated amortization and impairment losses				
Balance as of December 31, 2020	$ 247.7	$ 848.9	$ 177.8	$ 1,274.4
Amortization	–	150.8	14.5	165.3
Retirement, disposals and other	–	(17.3)	(26.8)	(44.1)
Balance as of December 31, 2021	247.7	982.4	165.5	1,395.6
Amortization	–	162.0	14.5	176.5
Retirement, disposals and other	–	(29.8)	(2.8)	(32.6)
Balance as of December 31, 2022	**$ 247.7**	**$ 1,114.6**	**$ 177.2**	**$ 1,539.5**
Net carrying amount				
As of December 31, 2021	$ 1,561.6	$ 515.0	$ 267.5	$ 2,344.1
As of December 31, 2022	**$ 1,561.6**	**$ 593.9**	**$ 119.5**	**$ 2,275.0**

The cost of internally generated intangible assets, mainly composed of software, was $926.6 million as of December 31, 2022 ($902.1 million as of December 31, 2021). For the year ended December 31, 2022, the Corporation recorded additions of internally generated intangible assets of $48.7 million ($186.0 million in 2021).

The accumulated amortization and impairment losses on internally generated intangible assets, mainly composed of software, were $534.7 million as of December 31, 2022 ($485.1 million as of December 31, 2021). For the year ended December 31, 2022, the Corporation recorded $77.0 million in amortization on its internally generated intangible assets ($64.2 million in 2021). The net carrying value of internally generated intangible assets was $391.9 million as of December 31, 2022 ($417.0 million as of December 31, 2021).

Spectrum licences are allocated to the Telecommunications CGU, broadcasting licences are allocated to the Broadcasting CGU, trademarks are allocated to the Telecommunications and Magazines CGUs, while sport franchises are allocated to the Sports and Entertainment CGU. The net carrying value of intangible assets with an indefinite useful life was $1,571.1 million as of December 31, 2022 and 2021.

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

15. RIGHT-OF-USE ASSETS

Changes in the net carrying amount of right-of-use assets, which mainly relate to leases of premises and vehicles, are as follows:

	2022	2021
Cost		
Balance at beginning of year	**$ 383.2**	$ 356.6
Additions financed with lease obligations	**44.5**	51.8
Retirement and other	**(21.6)**	(25.2)
Balance at end of year	**406.1**	383.2
Accumulated depreciation		
Balance at beginning of year	**230.9**	213.5
Depreciation	**42.7**	41.1
Retirement and other	**(22.9)**	(23.7)
Balance at end of year	**250.7**	230.9
Net carrying amount	**$ 155.4**	$ 152.3

The Corporation does not recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets.

16. GOODWILL

Changes in the net carrying amount of goodwill are as follows:

	2022	2021
Cost		
Balance at beginning of year	**$ 5,711.3**	$ 5,706.8
Business acquisitions	**7.5**	4.5
Balance at end of year	**5,718.8**	5,711.3
Accumulated impairment losses		
Balance at beginning and at end of year	**2,992.8**	2,992.8
Net carrying amount	**$ 2,726.0**	$ 2,718.5

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

16. GOODWILL (continued)

The net carrying amount of goodwill as of December 31, 2022 and 2021 was allocated to the following significant CGU groups:

	2022	2021
CGU groups		
Telecommunications	**$ 2,691.2**	$ 2,683.7
Other[1]	**34.8**	34.8
Total	**$ 2,726.0**	$ 2,718.5

[1] Includes mainly the CGUs related to Film, audiovisual content and television activities, Book publishing and distribution activities, and Sports and Entertainment activities.

Recoverable amounts

CGU recoverable amounts were determined based on the higher of a value in use or a fair value less costs of disposal with respect to the impairment tests performed. The Corporation uses the discounted cash flow method to estimate the recoverable amount, consisting of future cash flows derived primarily from the most recent budget and three-year strategic plan approved by the Corporation's management and the Board of Directors. These forecasts considered each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. In particular, specific assumptions are used for each type of revenue generated by a CGU or for each type of expense, as well as for future capital expenditures. Such assumptions will consider, among many other factors, subscribers, readership and viewer statistics, advertising market trends, competitive landscape, evolution of product and service offerings, wireless penetration growth, proliferation of media platforms, technology evolution, broadcast programming strategy, bargaining agreements, Canadian GDP rates, and operating cost structures.

A perpetual growth rate is used for cash flows beyond the three-year strategic plan period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of (i) the time value of money, and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate was determined with regard to the specific markets in which the CGUs participate. In certain circumstances, the Corporation can also estimate the fair value less cost of disposal with a market approach that consists of estimating the recoverable amount by using multiples of operating performance of comparable entities, transaction metrics and other financial information available, instead of primarily using the discounted cash flow method. The following key assumptions were used to determine recoverable amounts in the most recent impairment tests performed on the Corporation's significant CGU groups:

		2022		2021
CGU groups[1]	**Pre-tax discount rate (WACC)**	**Perpetual growth rate**	Pre-tax discount rate (WACC)	Perpetual growth rate
Telecommunications	**10.5 %**	**2.0 %**	8.5 %	2.0 %
Other	**14.0 to 17.0**	**0.0 to 2.0**	11.5 to 15.5	0.0 to 2.0

[1] In 2022 and 2021, the recoverable amounts of all CGUs were based on value in use, using the discounted cash flow method, except for the recoverable amounts of the Television CGU, which were based on fair value less costs of disposal.

No reasonable changes in the discount rate or in the perpetual growth rate used in the most recent test performed would have caused the recoverable amount of the Telecommunications CGU to equal its carrying value.

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

17. OTHER ASSETS

	Note	2022	2021
Equipment installments receivable		$ 431.3	$ 358.6
Audiovisual content		289.8	212.0
Contract costs[1]		175.4	174.8
Investments[2]		151.0	159.3
Contract assets[3]		69.1	155.6
Defined benefit plan assets	31	50.9	21.3
Other		21.7	33.8
		1,189.2	1,115.4
Less current portion of equipment installments receivable (included in "Accounts receivable")		(321.9)	(256.9)
Less current portion of audiovisual content (included in "Inventories")		(201.5)	(139.5)
Less current portion of contract costs (included in "Other current assets")		(75.9)	(68.5)
Less current portion of contract assets		(50.2)	(129.4)
		$ 539.7	$ 521.1

1 Amortization amounted to $81.4 million in 2022 ($73.3 million in 2021).

2 In 2021, the Corporation made a strategic investment in a Turkish digital technology firm for a cash consideration of $48.5 million. This investment in a foreign associate is accounted for using the equity method. A loss of $5.8 million on the translation of this investment was recorded in the consolidated statements of comprehensive income in 2022 ($16.2 million in 2021).

In 2021, the Corporation also acquired an interest in Alithya in connection with the sale of its investment in R3D Conseil (note 6). This equity investment is measured at fair value through other comprehensive income and accordingly, a loss on revaluation of $12.2 million was recorded in the consolidated statements of comprehensive income in 2022 (a gain of $1.8 million in 2021).

3 Impairment loss on contract assets resulting from mobile contracts being cancelled prior to their initial term amounted to $9.9 million in 2022 ($17.1 million in 2021), net of the early termination penalty charged to the customer. In current and comparative periods, there were no significant cumulative catch-up adjustments to revenue that affected the corresponding contract asset, including adjustments arising from a change in an estimate of the transaction price or a contract modification. There were also no significant changes in the time frame for a performance obligation to be satisfied.

18. ACCOUNTS PAYABLE, ACCRUED CHARGES AND PROVISIONS

	2022	2021
Trade and accruals	$ 770.8	$ 681.7
Salaries and employee benefits	115.8	119.3
Interest payable	46.2	45.1
Provisions and other	17.5	14.9
	$ 950.3	$ 861.0

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

19. LONG-TERM DEBT

	Effective interest rate as of December 31, 2022	2022	2021
Quebecor			
Other loan (i)		**$ –**	$ 44.5
Quebecor Media (ii), (iii)			
Senior Notes (iv)		**1,152.1**	1,089.3
Videotron (ii), (v)			
Bank credit facility (vi)	5.92 %	**77.5**	285.0
Senior Notes (iv)		**5,279.1**	5,123.2
		5,356.6	5,408.2
TVA Group Inc. (ii), (v)			
Bank credit facility (vii)	6.06 %	**9.0**	12.0
Total long-term debt		**6,517.7**	6,554.0
Change in fair value related to hedged interest rate risk		**(5.6)**	8.3
Financing costs, net of amortization		**(33.3)**	(37.9)
		(38.9)	(29.6)
		6,478.8	6,524.4
Less current portion		**(1,161.1)**	(56.5)
		$ 5,317.7	$ 6,467.9

As of December 31, 2022, the carrying value of long-term debt denominated in U.S. dollars, excluding financing costs, was $3,450.6 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 $516.9 million ($381.4 million as of December 31, 2021).

(i) The mortgage on the head office building was reimbursed in 2022.

(ii) The debts of these subsidiaries are non-recourse to Quebecor.

(iii) Quebecor Media's bank credit facility provides for a $300.0 million secured revolving credit facility that matures in July 2025 and bears interest at Bankers' acceptance rate, Secured Overnight Financing Rate ("SOFR"), Canadian prime rate or U.S. prime rate, plus a premium determined by Quebecor Media's leverage ratio. This credit facility contains covenants such as maintaining certain financial ratios, as well as limitations on Quebecor Media's ability to incur additional indebtedness, pay dividends, and make other distributions. It is secured by liens on all of the movable property and assets of Quebecor Media (primarily shares of its subsidiaries), now owned or hereafter acquired. As of December 31, 2022, the credit facility was secured by assets with a carrying value of $1,376.8 million ($1,255.7 million in 2021). As of December 31, 2022 and 2021, no amount was drawn on the secured revolving credit facility.

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

19. LONG-TERM DEBT (continued)

(iv) The Senior Notes are unsecured and contain certain restrictions on the respective issuers, including limitations on their ability to incur additional indebtedness, pay dividends, or make other distributions. Some Notes are redeemable at the option of the issuer, in whole or in part, at a price based on a make-whole formula during the first three or five years of the term of the Notes and at a decreasing premium thereafter, while the remaining Notes are redeemable at a price based on a make-whole formula at any time prior to maturity. The Senior Notes issued by Videotron are guaranteed by specific subsidiaries of Videotron. The following table summarizes the terms of the outstanding Senior Notes as of December 31, 2022:

Principal amount	Annual nominal interest rate	Maturity date	Interest payable every 6 months on
Quebecor Media			
US$ 850.0	5.750 %	January 15, 2023	June and December 15
Videotron			
US$ 600.0	5.375 %	June 15, 2024	June and December 15
$ 400.0	5.625 %	June 15, 2025	April and October 15
$ 375.0	5.750 %	January 15, 2026	March and September 15
US$ 600.0	5.125 %	April 15, 2027	April and October 15
$ 800.0	4.500 %	January 15, 2030	April and October 15
$ 650.0[1]	3.125 %	January 15, 2031	January and July 15
$ 750.0[2]	3.625 %	June 15, 2028	June and December 15
US$ 500.0[3]	3.625 %	June 15, 2029	June and December 15

1 The Notes were issued in January 2021 for net proceeds of $644.0 million, net of financing costs of $6.0 million.

2 The Notes were issued in June 2021 for net proceeds of $743.2 million, net of financing costs of $6.8 million.

3 The Notes were issued in June 2021 for net proceeds of $599.6 million, net of financing costs of $5.8 million.

On January 17, 2023, Quebecor Media redeemed at maturity its Senior Notes in aggregate principal amount of US$850.0 million, bearing interest at 5.75%, and unwound the related hedging contracts for a total cash consideration of $830.9 million. Drawings from the Videotron secured revolving credit facility were used to finance this redemption.

(v) The debts of these subsidiaries are non-recourse to Quebecor Media.

(vi) Videotron's bank credit facility provides for a $1,500.0 million secured revolving credit facility that matures in July 2026 and bears interest at Bankers' acceptance rate, SOFR, Canadian prime rate or U.S. prime rate, plus a premium determined by Videotron's leverage ratio. The bank credit facility is secured by a first ranking hypothec on the universality of all tangible and intangible assets, current and future, of Videotron and most of its wholly owned subsidiaries. As of December 31, 2022, the bank credit facility was secured by assets with a carrying value of $8,741.7 million ($8,900.3 million in 2021). The bank credit facility contains covenants such as maintaining certain financial ratios, as well as limitations on Videotron's ability to incur additional indebtedness, pay dividends, or make other distributions. As of December 31, 2022, $77.5 million was drawn on the secured revolving credit facility ($285.0 million as of December 31, 2021).

On January 13, 2023, Videotron's bank credit facility was amended to increase the secured revolving credit facility from $1,500.0 million to $2,000.0 million. Certain terms and conditions of the credit facility were also amended.

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

19. LONG-TERM DEBT (continued)

(vii) TVA Group's bank credit facility provides for a secured revolving credit facility in the amount of $75.0 million that matures in February 2023 and bears interest at Bankers' acceptance rate, Canadian prime rate or U.S. prime rate, plus a premium determined by TVA Group's leverage ratio. The bank credit facility contains covenants such as maintaining certain financial ratios, limitations on TVA Group's ability to incur additional indebtedness, pay dividends, or make other distributions. The credit facility is secured by liens on all of its movable assets and an immovable hypothec on its head office building. As of December 31, 2022, $9.0 million was drawn on the revolving credit facility ($12.0 million as of December 31, 2021).

In December 2021, Investissement Québec granted TVA Group an interest-free unsecured loan for a maximum amount of $25.0 million in order to support the construction of a fourth MELS production studio. The loan contains certain restrictive covenants as well as typical representations and warranties for these loans. As of December 31, 2022 and 2021, no amount was drawn on the unsecured loan.

On February 15, 2023, TVA Group amended its secured revolving credit facility to extend its term to February 2024.

On December 31, 2022, the Corporation was in compliance with all debt covenants.

Principal repayments of long-term debt over the coming years are as follows:

2023	$ 1,161.1
2024	813.2
2025	400.0
2026	452.5
2027	813.2
2028 and thereafter	2,877.7

Changes in long-term debt are as follows:

	2022	2021
Balance at beginning of year	**$ 6,524.4**	$ 5,773.4
Net change under revolving facilities, net of financing costs	**(213.3)**	269.8
Issuance of long-term debt, net of financing costs	**–**	1,986.8
Repayment of long-term debt, excluding early redemption premium	**(44.6)**	(1,486.1)
Foreign currency translation	**218.9**	(22.6)
Amortization of financing costs	**7.3**	7.9
Change in fair value related to hedged interest rate risk	**(13.9)**	(8.5)
Other	**–**	3.7
Balance at end of year	**$ 6,478.8**	$ 6,524.4

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

20. LEASE LIABILITIES

Changes in lease liabilities are as follows:

		2022		2021
Balance at beginning of year	$	**183.2**	$	173.3
Lease obligations financing right-of-use assets		**44.5**		51.8
Repayments		**(42.8)**		(41.1)
Other		**1.3**		(0.8)
		186.2		183.2
Less current portion		**(37.0)**		(36.1)
	$	**149.2**	$	147.1

Interest rates on lease liabilities ranged from 1.9% to 9.3% as of December 31, 2022 and 2021.

Repayments of lease liabilities over the coming years are as follows:

2023	$	37.0
2024		33.8
2025		24.8
2026		17.7
2027		11.9
2028 and thereafter		61.0

21. OTHER LIABILITIES

	Note		2022		2021
Defined benefit plans	31	$	**65.7**	$	166.1
Decommissioning obligation			**59.0**		59.0
Other[1]			**85.1**		68.1
		$	**209.8**	$	293.2

[1] Including exchangeable debentures, Series 2001 and Series Abitibi that mature in 2026, having a combined principal amount outstanding of $844.9 million as of December 31, 2022 and 2021 and a combined carrying value of $2.1 million as of December 31, 2022 and 2021. The exchangeable debentures bear interest at a rate of 0.10% on the debentures' principal amount. Prior to maturity, the Corporation may, at its option, satisfy its obligations without any consideration.

22. CONVERTIBLE DEBENTURES

On June 22, 2018, the Corporation issued $150.0 million aggregate principal amount of convertible debentures, bearing interest at an annual rate of 4.00% and maturing in June 2024. Interest on the convertible debentures is payable semi-annually in cash, in Class B Subordinate Voting Shares (“Class B Shares”) or with the proceeds from the sale of Class B Shares. At maturity, the convertible debentures will be payable in cash by the Corporation at the outstanding principal amount, plus accrued and unpaid interest, subject to redemption, conversion, purchase or previous repayment. One day prior to maturity, the Corporation may redeem the outstanding convertible debentures by issuing that number of Class B Shares obtained by dividing the outstanding principal amount by the then current market price of a Class B share, subject to an adjusted floor price of approximately $24.62 per share (that is, a maximum number of approximately 6,093,373 Class B Shares corresponding to a ratio of $150.0 million to the adjusted floor price) and an adjusted ceiling price of approximately $30.77 per share (that is, a minimum number of approximately 4,874,699 Class B Shares corresponding to a ratio of $150.0 million to the adjusted ceiling price). At any time prior to the day prior to maturity, the Corporation may redeem or convert, in whole or in part, the outstanding convertible debentures, subject to the terms of the trust indenture. The convertible debentures are convertible at all times prior to the maturity date into Class B Shares by the holders, in accordance with the terms of the trust indenture. In all cases, the Corporation has the option to pay an amount in cash equal to the market value of shares that would otherwise have been issued, being the product of (i) the number of those Class B Shares and (ii) the then-current market price of a Class B share.

The principal amount of the convertible debentures is presented separately as a financial liability and the conversion features related to the floor and ceiling prices are presented as embedded derivatives. The fair value of these embedded derivatives as of December 31, 2022 was estimated using the Black-Scholes option pricing model, considering a risk-free rate of 4.30% (1.20% in 2021), a dividend yield of 3.97% (3.91% in 2021), and an expected volatility of 21.32% (24.32% in 2021). A one dollar increase in the market price of a Class B share as of December 31, 2022 would have increased the loss on embedded derivatives related to convertible debentures by $3.6 million, while a one dollar decrease in the market price of a Class B share would have decreased the loss by $3.6 million.

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

23. 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 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, 2020	77,039,834	$ 8.6	171,132,357	$ 1,009.2
Class A Shares converted into Class B Shares	(55,800)	–	55,800	–
Shares purchased and cancelled	–	–	(8,914,650)	(52.6)
Balance as of December 31, 2021	76,984,034	8.6	162,273,507	956.6
Shares purchased and cancelled	–	–	(8,321,451)	(49.0)
Balance as of December 31, 2022	**76,984,034**	**$ 8.6**	**153,952,056**	**$ 907.6**

Repurchase of shares

On August 3, 2022, 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 3.8% of issued and outstanding Class B Shares as of July 29, 2022. The purchases can be made from August 15, 2022 to August 14, 2023, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems in Canada. All shares purchased under the bid will be cancelled.

In 2022, the Corporation purchased and cancelled 8,321,451 Class B Shares for a total cash consideration of $237.0 million (8,914,650 Class B Shares for a total cash consideration of $282.4 million in 2021). The excess of $188.0 million of the purchase price over the carrying value of Class B Shares repurchased was recorded as a reduction of retained earnings in 2022 ($229.8 million in 2021).

Dividends

On February 22, 2023, 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 $69.3 million, payable on April 4, 2023, to shareholders of record at the close of business on March 10, 2023.

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

24. STOCK-BASED COMPENSATION PLANS

(a) Quebecor plans

(i) Stock option plan

Under a stock option plan established by the Corporation, 26,000,000 Class B Shares of the Corporation have been set aside for directors, officers, senior employees, and other key employees of Quebecor. The exercise price of each option is equal to the weighted average trading price of Quebecor Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the granting of the option. Each option may be exercised during a period not exceeding 10 years from the date granted. As per the provisions of the plan, options usually vest as follows: 1/3 after one year, 2/3 after two years, and 100% three years after the original grant. The Board of Directors of the Corporation may, at its discretion, affix different vesting periods at the time of each grant. Thus, since 2018, when granting options, the Board of Directors of the Corporation has determined that the options would vest equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant. Holders of options under the stock option plan have the choice, when they exercise their options, of acquiring the Class B Shares at the corresponding option exercise price or receiving a cash payment equivalent to the difference between the market value of the underlying shares and the exercise price of the option. Holders of options have committed to obtain the consent of the Corporation before exercising their right to subscribe the shares for which they exercise their options.

The following table gives details on changes to outstanding options for the years ended December 31, 2022 and 2021:

		2022		2021
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**2,379,600**	**$ 30.74**	3,630,959	$ 30.57
Granted	**1,610,000**	**27.85**	100,000	31.49
Exercised	**(33,332)**	**26.52**	(101,326)	26.52
Cancelled	**(262,535)**	**30.48**	(1,250,033)	30.64
Balance at end of year	**3,693,733**	**$ 29.54**	2,379,600	$ 30.74
Vested options at end of year	**602,754**	**$ 28.49**	202,260	$ 26.52

During the year ended December 31, 2021, 101,326 of the Corporation's stock options were exercised for a cash consideration of $0.4 million.

As of December 31, 2022, exercise prices of all outstanding options were from $26.52 to $33.19 and the average years to maturity was 7.9.

24. STOCK-BASED COMPENSATION PLANS (continued)

(a) Quebecor plans (continued)

(ii) Deferred share unit plan

The Quebecor DSU plan is for the benefit of the Corporation's directors. Under this plan, each director receives a portion of his/her compensation in the form of DSUs, such portion representing at least 50% of the annual retainer, which could be less upon reaching the minimum shareholding threshold set out in the policy regarding minimum shareholding by directors. Subject to certain conditions, each director may elect to receive up to 100% of the total fees payable for services as a director in the form of units. The value of a DSU is based on the weighted average trading price of Quebecor Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the relevant date. DSUs will entitle the holders thereof to dividends, which will be paid in the form of additional units at the same rate as that applicable to dividends paid from time to time on Quebecor Class B Shares. Subject to certain limitations, the DSUs will be redeemed by the Corporation when the director ceases to serve as a director of the Corporation. For the purpose of redeeming units, the value of a DSU shall correspond to the fair market value of Quebecor Class B Shares on the date of redemption. As of December 31, 2022, the total number of DSUs outstanding under this plan was 503,945 (446,173 as of December 31, 2021).

(b) Quebecor Media stock option plan

During the year ended December 31, 2021, 47,950 of Quebecor Media's stock options were exercised for a cash consideration of $3.2 million. As of December 31, 2022 and 2021, there were no outstanding options related to the Quebecor Media stock option plan.

(c) TVA Group stock option plan

Under this stock option plan, 2,200,000 TVA Group Class B Non-Voting Shares ("TVA Group Class B Shares") have been set aside for senior executives and directors of TVA Group and its subsidiaries. The terms and conditions of options granted are determined by TVA Group's Human Resources and Corporate Governance Committee. The subscription price of an option cannot be less than the closing price of TVA Group Class B Shares on the Toronto Stock Exchange the day before the option is granted. Unless the Human Resources and Corporate Governance Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Human Resources and Corporate Governance Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant. Thus, since 2018, when granting options, the Human Resources and Corporate Governance Committee has determined that the options would vest equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant. The term of an option cannot exceed 10 years. Holders of options under the plan have the choice, at the time of exercising their options, of receiving a cash payment from TVA Group equal to the number of shares corresponding to the options exercised, multiplied by the difference between the market value of the TVA Group Class B Shares and the exercise price of the option or, subject to certain conditions, exercise their options to purchase TVA Group Class B Shares at the exercise price. The market value is defined as the average closing market price of the TVA Group Class B Shares for the last five trading days preceding the date on which the option was exercised. Holders of options have committed to obtain the consent of TVA Group before exercising their right to subscribe the shares for which they exercise their options.

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

24. STOCK-BASED COMPENSATION PLANS (continued)

(c) TVA Group stock option plan (continued)

The following table gives details on changes to outstanding options for the years ended December 31, 2022 and 2021:

		2022		2021
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**369,503**	**$ 2.09**	795,000	$ 2.06
Granted	**150,000**	**2.76**	–	–
Exercised	**–**	**–**	(39,999)	2.16
Cancelled	**–**	**–**	(385,498)	2.01
Balance at end of year	**519,503**	**$ 2.29**	369,503	$ 2.09
Vested options at end of year	**106,498**	**$ 3.23**	48,832	$ 4.56

As of December 31, 2022, exercise prices of all outstanding options were from $1.40 to $6.85 and the average years to maturity was 7.4.

(d) Deferred share unit plan

The DSU is based either on Quebecor Class B Shares or on 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 December 31, 2022, 70,608 DSUs based on Quebecor Class B Shares and 66,622 DSUs based on TVA Group Class B Shares were outstanding under these plans (96,909 and 128,064, respectively, as of December 31, 2021).

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

24. STOCK-BASED COMPENSATION PLANS (continued)

(e) Assumptions in estimating the fair value of stock-based awards

The fair value of stock-based awards under the stock option plans was estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used to estimate the fair value of all outstanding stock options under the stock option plans:

December 31, 2022	**Quebecor**	**TVA Group**
Risk-free interest rate	**3.67 %**	**3.74 %**
Distribution yield	**3.97 %**	**– %**
Expected volatility	**22.22 %**	**47.46 %**
Expected remaining life	**3.9 years**	**3.6 years**

December 31, 2021	Quebecor	TVA Group
Risk-free interest rate	1.33 %	1.29 %
Distribution yield	3.91 %	– %
Expected volatility	22.22 %	52.11 %
Expected remaining life	3.8 years	3.7 years

The expected volatility is based on the historical volatility of the underlying share price for a period equivalent to the expected remaining life of the options. The expected remaining life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free interest rate over the expected remaining life of the option is based on the Government of Canada yield curve in effect at the time of the valuation. Distribution yield is based on the current average yield.

(f) Liability for vested options

As of December 31, 2022, the liability for all vested options was $1.4 million as calculated using the intrinsic value ($0.3 million as of December 31, 2021).

(g) Consolidated stock-based compensation charge

For the year ended December 31, 2022, a $4.7 million charge was recorded related to all stock-based compensation plans (a $3.8 million reversal of the charge in 2021).

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

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

	Cash flow hedges[1]	Translation of investments in foreign associates	Defined benefit plans	Equity investment	Total
Balance as of December 31, 2020	$ 29.6	$ –	$ (163.5)	$ –	$ (133.9)
Other comprehensive income (loss)	3.1	(17.6)	127.5	1.6	114.6
Balance as of December 31, 2021	32.7	(17.6)	(36.0)	1.6	(19.3)
Other comprehensive (loss) income	(59.1)	(5.8)	96.6	(10.6)	21.1
Balance as of December 31, 2022	**$ (26.4)**	**$ (23.4)**	**$ 60.6**	**$ (9.0)**	**$ 1.8**

[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 6 1/2-year period.

26. COMMITMENTS

The Corporation has entered into long-term commitments to purchase services, tangible and intangible assets, and broadcasting rights, and to pay licences and royalties. The minimum payments for the coming years are as follows:

2023	$ 502.5
2024 to 2027	859.8
2028 and thereafter	289.3

27. GUARANTEES

In the normal course of business, the Corporation enters into numerous agreements containing guarantees, including the following:

Business and asset disposals

In the sale of all or part of a business or an asset, in addition to possible indemnification relating to failure to perform covenants and breach of representations or warranties, the Corporation may agree to indemnify against claims related to the past conduct of the business. Typically, the term and amount of such indemnification will be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Corporation has not accrued any amount in respect of these items on the consolidated balance sheets.

Outsourcing companies and suppliers

In the normal course of its operations, the Corporation enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Corporation agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Corporation provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued on the consolidated balance sheets with respect to these indemnifications.

28. CONTINGENCIES

In the context of disputes between the Corporation and a competitor, legal proceedings have been initiated by the Corporation and against the Corporation. At this stage of proceedings, management of the Corporation does not expect the outcome to have a material adverse effect on the Corporation's results or on its financial position.

There are also a number of other legal proceedings against the Corporation that are pending. Generally, management of the Corporation establishes provisions for claims or actions considering the facts of each case. The Corporation cannot determine when and if any payment will be made related to these legal proceedings.

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Corporation's financial risk-management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk-management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, restricted cash, trade receivables, contract assets, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, convertible debentures, lease liabilities and derivative financial instruments. As a result of its use of financial instruments, the Corporation is exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations and interest rate fluctuations.

In order to manage its foreign exchange and interest rate risks, the Corporation uses derivative financial instruments (i) to set in CAN dollars future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency, and (ii) to achieve a targeted balance of fixed- and floating-rate debt. The Corporation does not intend to settle its derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

(a) Description of derivative financial instruments

(i) Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar	Notional amount sold	Notional amount bought
Videotron			
Less than 1 year	1.3057	$ 95.3	US$ 73.0

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

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Description of derivative financial instruments (continued)

(ii) Cross-currency swaps

Hedged item	Hedging instrument			
	Period covered	Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media				
5.750% Senior Notes due 2023	2016 to 2023	US$ 431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$ 418.7	6.85%	0.9759
Videotron				
5.375% Senior Notes due 2024	2014 to 2024	US$ 158.6	Bankers' acceptance 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$ 441.4	5.62%	1.1039
5.125% Senior Notes due 2027	2017 to 2027	US$ 600.0	4.82%	1.3407
3.625% Senior Notes due 2029	2021 to 2029	US$ 500.0	4.04%	1.2109

Certain cross-currency swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the market value at that date.

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

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) 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 based on 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.

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

		2022		2021
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,517.7)**	**$ (5,959.6)**	$ (6,554.0)	$ (6,660.4)
Convertible debentures[2]	**(158.7)**	**(158.7)**	(139.5)	(139.5)
Derivative financial instruments[3]				
Foreign exchange forward contracts	**3.4**	**3.4**	0.9	0.9
Cross-currency swaps	**516.9**	**516.9**	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.

[3] The net fair value of derivative financial instruments designated as cash flow hedges is an asset position of $486.3 million as of December 31, 2022 ($348.1 million in 2021) and the net fair value of derivative financial instruments designated as fair value hedges is an asset position of $34.0 million as of December 31, 2022 ($34.2 million in 2021).

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

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations and arises principally from amounts receivable from customers, including contract assets.

The gross carrying amounts of financial assets represent the maximum credit exposure. As of December 31, 2022, the gross carrying amount of trade receivables and contract assets, including their long-term portions, was $902.9 million ($913.4 million as of December 31, 2021).

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. The Corporation uses its customers' historical terms of payment and acceptable collection periods for each customer class, as well as changes in its customers' credit profiles, to define default on amounts receivable from customers, including contract assets.

As of December 31, 2022, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation is using the expected credit losses method to estimate its provision for credit losses, which considers the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions. As of December 31, 2022, the provision for expected credit losses represented 1.7% of the gross amount of trade receivables and contract assets (2.0% as of December 31, 2021), while 4.7% of trade receivables were 90 days past their billing date (6.9% as of December 31, 2021).

The following table shows changes to the provision for expected credit losses for the years ended December 31, 2022 and 2021:

		2022		2021
Balance at beginning of year	**$**	**18.5**	$	20.8
Changes in expected credit losses charged to income		**16.5**		17.2
Write-off		**(19.7)**		(19.5)
Balance at end of year	**$**	**15.3**	$	18.5

The Corporation believes that its product lines and the diversity of its customer base are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of its use of derivative financial instruments, the Corporation is exposed to the risk of non-performance by a third party. When the Corporation enters into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation's risk-management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis, but at least quarterly.

(d) Liquidity risk management

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation manages this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 4.3 years as of December 31, 2022 (5.1 years as of December 31, 2021).

The Corporation's management believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, income tax payments, debt repayments, pension plan contributions, share repurchases and dividends to shareholders. The Corporation has access to cash flows generated by its subsidiaries through dividends (or distributions) paid by Quebecor Media.

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

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk management (continued)

As of December 31, 2022, material contractual obligations related to financial instruments included capital repayment and interest on long-term debt, on convertible debentures and on lease liabilities, and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. These obligations and their maturities are as follows:

	Total	Less than 1 year	1-3 years	3-5 years	5 years or more
Accounts payable and accrued charges	**$ 937.1**	$ 937.1	$ –	$ –	$ –
Long-term debt[1]	**6,517.7**	1,161.1	1,213.2	1,265.7	2,877.7
Convertible debentures[2]	**150.0**	–	150.0	–	–
Interest payments on long-term debt and convertible debentures[3]	**1,113.7**	206.2	417.4	287.7	202.4
Lease liabilities	**186.2**	37.0	58.6	29.6	61.0
Interest payments on lease liabilities	**41.0**	7.3	10.3	6.7	16.7
Derivative financial instruments[4]	**(553.1)**	(321.0)	(151.0)	(8.8)	(72.3)
Total	**$ 8,392.6**	**$ 2,027.7**	**$ 1,698.5**	**$ 1,580.9**	**$ 3,085.5**

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 Based on the market value at December 31, 2022 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Class B share at that date, subject to a floor price of approximately $24.62 per share and a ceiling price of approximately $30.77. The Corporation may also redeem convertible debentures by issuing the corresponding number of Class B Shares.

3 Estimate of interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2022.

4 Estimated future receipts, net of future disbursements, on derivative financial instruments related to foreign exchange hedging on the principal of U.S.-dollar-denominated debt.

(e) Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates, interest rates and/or equity prices will affect the value of the Corporation's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, gateways, modems, mobile devices and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation has entered into transactions to hedge the foreign currency risk exposure on its U.S.-dollar-denominated debt obligations outstanding as of December 31, 2022, and to hedge its exposure on certain purchases of set-top boxes, gateways, modems, mobile devices and capital expenditures. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

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

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Market risk (continued)

Foreign currency risk (continued)

The estimated sensitivity on income and on other comprehensive income, before income taxes, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar used to calculate the fair value of financial instruments as of December 31, 2022 is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of $0.10	$ 0.4	$ 2.3
Decrease of $0.10	(0.4)	(2.3)

A variance of $0.10 in the 2022 average exchange rate of CAN dollar per one U.S. dollar would have resulted in a variance of $7.9 million on the value of unhedged purchases of goods and services and $4.4 million on the value of unhedged acquisitions of tangible and intangible assets in 2022.

A variance of 10% in the exchange rate of CAN dollar per a foreign currency as of December 31, 2022 would have resulted in a variance of $5.3 million of the loss on translation of investments in foreign associates in the consolidated statements of comprehensive income.

Interest rate risk

Some of the Corporation's bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) SOFR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation bear interest at fixed rates. The Corporation has entered into cross-currency swap agreements in order to manage cash flow risk exposure. As of December 31, 2022, after taking into account the hedging instruments, long-term debt was comprised of 81.7% fixed-rate debt (91.7% in 2021) and 18.3% floating-rate debt (8.3% in 2021).

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2022 was $10.9 million.

The estimated sensitivity on income and on other comprehensive income, before income taxes, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments, other than convertible debentures and embedded derivatives related to convertible debentures (note 22), as of December 31, 2022, as per the Corporation's valuation models, is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of 100 basis points	$ (0.5)	$ (4.4)
Decrease of 100 basis points	0.5	4.4

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

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management

The Corporation's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Corporation takes into account the asset characteristics of its subsidiaries and planned requirements for funds, leveraging their individual borrowing capacities in the most efficient manner to achieve the lowest cost of financing. Management of the capital structure involves the issuance and repayment of debt and convertible debentures, the issuance and repurchase of shares, the use of cash flows generated by operations, and the level of distributions to shareholders. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivatives related to convertible debentures, lease liabilities, derivative financial instruments and cash and cash equivalents. The capital structure as of December 31, 2022 and 2021 is as follows:

	2022	2021
Bank indebtedness	**$ 10.1**	$ –
Long-term debt	**6,478.8**	6,524.4
Convertible debentures	**150.0**	150.0
Embedded derivatives related to convertible debentures	**10.0**	(8.4)
Lease liabilities	**186.2**	183.2
Derivative financial instruments	**(520.3)**	(382.3)
Cash and cash equivalents	**(6.6)**	(64.7)
Net liabilities	**6,308.2**	6,402.2
Equity	**$ 1,483.5**	$ 1,378.8

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements, which relate, among other things, to permitted investments, inter-corporation transactions, and the declaration and payment of dividends or other distributions.

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

30. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management personnel comprises members of the Board of Directors and key senior managers of the Corporation and its main subsidiaries. Their compensation is as follows:

	2022	2021
Salaries and short-term benefits	$ 7.3	$ 10.0
Share-based compensation	0.7	(0.8)
Termination and other long-term benefits	1.6	2.8
	$ 9.6	$ 12.0

Operating transactions

During the year ended December 31, 2022, the Corporation incurred expenses with affiliated corporations in the amount of $68.2 million ($13.3 million in 2021), which are included in purchase of goods and services, and acquired property, plant and equipment and intangible assets from affiliated corporations in the amount of $8.6 million ($2.3 million in 2021). The Corporation made sales to affiliated corporations in the amount of $5.9 million in 2022 ($7.8 million in 2021). These transactions were accounted for at the consideration agreed between parties.

31. PENSION PLANS AND POSTRETIREMENT BENEFITS

The Corporation maintains various defined benefit plans and defined contribution plans. The Corporation also provides postretirement benefits to eligible retired employees. The Corporation's pension plans are registered with a provincial or federal regulatory authority.

The Corporation's funding policy for its funded pension plans is to maintain its contribution at a level sufficient to cover benefits and to meet requirements of the applicable regulations and plan provisions that govern the funding of the plans. These provisions establish, among others, the future amortization payments when the funding ratio of the pension plans is insufficient as defined by the relevant provincial and federal laws. Payments are determined by an actuarial report performed by an independent company at least every three years or annually, according to the applicable laws and in accordance with plan provisions.

By their design, the defined benefit plans expose the Corporation to the typical risks faced by defined benefit plans, such as investment performance, changes to the discount rates used to value the obligation, longevity of plan participants, and future inflation. The administration of the plans is assured by pension committees composed of members of the plans, members of the Corporation's management and independent members or by the Corporation, in accordance with the provisions of each plan. Under the Corporation's rules of governance, the approval and oversight of the defined benefit plan policies are performed at different levels through the pension committees, the Corporation's management, or the Audit and Risk Management Committee. The risk management of pension plans is also performed under the leadership of these committees at various levels. The custody of securities and management of security transactions are assigned to trustees within a mandate given by the pension committees or the Corporation, as the case may be. Policies include those on investment objectives, risk-mitigation strategies and the mandate to hire investment fund managers and monitor their work and performance. The defined benefit pension plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status, and the Corporation's funding requirement.

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

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The following tables show a reconciliation of the changes in the plans' benefit obligations and the fair value of plan assets for the years ended December 31, 2022 and 2021:

	Pension benefits		Postretirement benefits	
	2022	2021	**2022**	2021
Change in benefit obligations				
Benefit obligations at the beginning of the year	**$ 1,581.3**	$ 1,680.8	**$ 61.3**	$ 70.1
Service costs	**33.6**	40.1	**1.3**	2.0
Interest costs	**44.8**	43.6	**1.7**	1.8
Plan participants' contributions	**8.2**	9.1	**–**	–
Actuarial (gain) loss arising from:				
Financial assumptions	**(413.1)**	(139.4)	**(21.8)**	(7.2)
Demographic assumptions	**1.5**	12.5	**(2.5)**	–
Participant experience	**(5.5)**	4.5	**(8.5)**	–
Benefits and settlements paid	**(84.0)**	(70.9)	**(1.7)**	(1.6)
Plan amendments and other	**1.6**	1.0	**(2.0)**	(3.8)
Benefit obligations at the end of the year	**$ 1,168.4**	$ 1,581.3	**$ 27.8**	$ 61.3
Change in plan assets				
Fair value of plan assets at the beginning of the year	**$ 1,522.0**	$ 1,440.0	**$ –**	$ –
Actual return on plan assets	**(184.9)**	107.7	**–**	–
Employer contributions	**28.7**	38.2	**1.7**	1.6
Plan participants' contributions	**8.2**	9.1	**–**	–
Benefits and settlements paid	**(84.0)**	(70.9)	**(1.7)**	(1.6)
Administrative fees	**(2.3)**	(2.1)	**–**	–
Fair value of plan assets at the end of the year	**$ 1,287.7**	$ 1,522.0	**$ –**	$ –

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

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

As of December 31, 2022, the weighted average duration of defined benefit obligations was 13.1 years (15.5 years in 2021). The Corporation expects future benefit payments of $73.8 million in 2023.

The investment strategy for plan assets takes into account a number of factors, including the time horizon of the pension plans' obligations and the investment risk. For each of the plans, an allocation range by asset class is developed**,** whereby a mix of asset classes is used to optimize the risk-return profile of plan assets and to mitigate asset-liability mismatch.

Plan assets are comprised of:

	2022	2021
Equity securities:		
Canadian	**14.3 %**	15.7 %
Foreign	**24.4**	25.9
Debt securities	**50.0**	53.1
Other	**11.3**	5.3
	100.0 %	100.0 %

The fair value of securities is based on quoted prices in an active market, while the fair value of other investments is not based on quoted prices in an active market.

Where funded plans have a net defined benefit asset, the Corporation determines if potential reductions in future contributions are permitted by applicable regulations and by collective bargaining agreements. When a defined benefit asset is created, it cannot exceed the future economic benefit that the Corporation can expect to obtain from the asset. The future economic benefit represents the value of reductions in future contributions and expenses payable to the pension fund. It does not reflect gains that could be generated in the future that would allow reductions in contributions by the Corporation. When there is a minimum funding requirement, this could also limit the amounts recognized on the balance sheet. A minimum funding requirement represents the present value of amortization payments based on the most recent actuarial financing reports filed.

The reconciliation of funded status to the net amount recognized on the consolidated balance sheets is as follows:

	Pension benefits		**Postretirement benefits**	
	2022	2021	**2022**	2021
Benefit obligations	**$ (1,168.4)**	$ (1,581.3)	**$ (27.8)**	$ (61.3)
Fair value of plan assets	**1,287.7**	1,522.0	**–**	–
Plan surplus (deficit)	**119.3**	(59.3)	**(27.8)**	(61.3)
Asset limit and minimum funding adjustment	**(106.3)**	(24.2)	**–**	–
Net amount recognized[1]	**$ 13.0**	$ (83.5)	**$ (27.8)**	$ (61.3)

[1] The net liability recognized for 2022 is $14.8 million ($144.8 million in 2021), of which an amount of $65.7 million ($166.1 million in 2021) is included in "Other liabilities" and $50.9 million ($21.3 million in 2021) is included in "Other assets".

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

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Components of re-measurements are as follows:

	Pension benefits		Postretirement benefits	
	2022	2021	**2022**	2021
Actuarial gain on benefit obligations	**$ 417.1**	$ 122.4	**$ 32.8**	$ 7.2
Actual return on plan assets, less interest income anticipated in the interest on the net defined benefit liability calculation	**(227.3)**	70.9	**–**	–
Asset limit and minimum funding adjustment	**(81.3)**	(11.0)	**–**	–
Re-measurement gain recorded in other comprehensive income	**$ 108.5**	$ 182.3	**$ 32.8**	$ 7.2

Components of the net benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2022	2021	**2022**	2021
Employee costs:				
Service costs	**$ 33.6**	$ 40.1	**$ 1.3**	$ 2.0
Plan amendments, administrative fees and other	**3.9**	3.1	**(2.0)**	–
Interest on net defined benefit liability	**3.2**	7.0	**1.7**	1.8
Net benefit costs	**$ 40.7**	$ 50.2	**$ 1.0**	$ 3.8

The expense related to defined contribution pension plans amounted to $20.4 million in 2022 ($21.5 million in 2021).

The expected employer contributions to the Corporation's defined benefit pension plans and postretirement benefit plans will be $25.7 million in 2023, based on the most recent financial actuarial reports filed (contributions of $30.4 million were paid in 2022).

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

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Assumptions

The Corporation determines its assumption for the discount rate to be used for purposes of computing annual service and interest costs based on an index of high-quality corporate bond yield and matched-funding yield curve analysis as of the measurement date.

The actuarial assumptions used in measuring the Corporation's benefit obligations as of December 31, 2022 and 2021 and current periodic benefit costs are as follows:

	Pension and postretirement benefits			
	2022		2021	
Benefit obligations				
Rates as of year-end:				
Discount rate	**5.10**	**%**	3.00	%
Rate of compensation increase	**3.00**		3.00	
Current periodic costs				
Rates as of preceding year-end:				
Discount rate	**3.00**	**%**	2.50	%
Rate of compensation increase	**3.00**		3.00	

The assumed average retirement age of participants used ranged from 59 to 62 years.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 6.30% at the end of 2022. These costs, as per the estimate, are expected to decrease gradually over the next 15 years to 4.30% and to remain at that level thereafter.

Sensitivity analysis

An increase of 10 basis points in the discount rate would have decreased the pension benefit obligation by $14.1 million and the postretirement benefit obligation by $0.4 million as of December 31, 2022. There are limitations to this sensitivity analysis since it only considers the impacts of an increase of 10 basis points in the discount rate assumption without changing any other assumptions. No sensitivity analysis was performed on other assumptions as a similar change to those assumptions would not have a significant impact on the consolidated financial statements.

32. SUBSEQUENT EVENTS

On August 12, 2022, Videotron entered into a definitive agreement with Rogers Communications Inc. (“Rogers”) and Shaw Communications Inc. (“Shaw”) to acquire Freedom Mobile Inc. (“Freedom Mobile”) for $2.85 billion on a cash-free and debt-free basis. The transaction would close substantially concurrently with the closing of the acquisition of Shaw by Rogers. The acquisition of Freedom Mobile includes the Freedom Mobile brand’s entire wireless and Internet customer base, as well as its owned infrastructure, spectrum and retail outlets. It also includes a long-term undertaking by Shaw and Rogers to provide Videotron with transport services (including backhaul and backbone) and roaming services. This transaction will support the expansion of the Corporation’s telecommunications services in Ontario and Western Canada. On December 31, 2022, the Competition Tribunal dismissed an application by the Commissioner of Competition to block the acquisition of Freedom Mobile by Videotron as well as the acquisition of Shaw by Rogers. Subsequently, on January 24, 2023, the Federal Court of Appeal dismissed the Commissioner’s appeal of the Tribunal’s decision. The acquisition of Freedom Mobile by Videotron remains, at this stage, conditional to approval by ISED, which is currently reviewing it. Rogers, Shaw and Videotron announced on February 17, 2023 that they had agreed to extend the outside date for all transactions to March 31, 2023. In anticipation of the acquisition of Freedom Mobile, Videotron has secured financing commitments from a syndicate of financial institutions for a new secured term credit facility of up to $2.40 billion comprised of three tranches maturing over four years.