Consolidated financial statements of

TVA GROUP INC.

Years ended December 31, 2022 and 2021

Independent auditor's report

To the Shareholders of
TVA Group Inc.

Opinion

We have audited the consolidated financial statements of **TVA Group Inc.** and its subsidiaries [the "Group"], 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 Group 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 Group 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
Goodwill impairment assessment of the CGU for Film Production & Audiovisual Services	
As described in note 14 to the consolidated financial statements, the carrying value of goodwill allocated to the Film Production & Audiovisual Services cash-generating unit ["CGU"] amounts to $9.1 million at December 31, 2022. Management assesses at least annually, or at any time if an indicator of impairment exists, whether there has been an impairment loss in the carrying value of goodwill. Determining whether the carrying value of goodwill is recoverable requires management to estimate the recoverable amount of the related CGU on the basis of the higher of its fair value less costs of disposal and its value-in-use. When estimating the recoverable amount, the forecasted cash flows of the Film Production & Audiovisual Services CGU can be volatile being driven, to a large extent, by the timing of significant movie productions. The recoverable amount of this CGU is based on its value-in-use and is sensitive to assumptions such as revenue growth rates, earnings growth rates, terminal growth rate and associated pre-tax discount rate. Given the relative sensitivity of these assumptions to the impairment testing process, and the complexity in auditing them, the valuation of the goodwill of this CGU is considered a key audit matter.	To test the estimated recoverable amount of this CGU, our audit procedures included, among others, the following: • With the assistance of our valuation specialists, we evaluated the mathematical accuracy of management's model, the valuation methodology, and certain significant assumptions such as the pre-tax discount rate. • We corroborated the terminal growth rate used with externally derived data, including financial information of comparable companies. • We assessed the historical accuracy of management's estimates of forecasted revenue growth rates and earnings growth rates by comparing management's past projections to actual historical performance. • We assessed the forecasted revenue growth rates and earnings growth rates by comparing to past performance for production and audiovisual services. • We performed sensitivity analysis on significant assumptions, including revenue and earnings growth rates, and pre-tax discount rate, to evaluate changes in the recoverable amount of this CGU that would result from changes in these assumptions. • We also assessed the adequacy of the disclosures included in Note 14 of the accompanying consolidated financial statements in relation to this matter.

Key audit matter	How our audit addressed the key audit matter
Measurement of Broadcast rights	
As presented in note 9 of the consolidated financial statements, broadcast and distribution rights amounted to $214.7 million at December 31, 2022, and as presented in note 3, an amount of $317.1 million related to rights and audiovisual content was recorded as part of the purchases of goods and services for the year ended December 31, 2022. Broadcast rights represent a significant portion of these amounts. As described in note 1(o), broadcast rights are charged to operating expenses when televisual products and films are broadcast over the contract period, using a method based on the manner in which future economic benefits from the rights will be generated. Also, estimates of future revenue used to determine net realizable values of inventories related to broadcasting rights are reviewed periodically by management, and the carrying value is reduced to net realizable value, as necessary, based on this assessment. We determined that the measurement of the broadcast rights constituted a key audit matter, given the significance of these rights to the consolidated financial statements, the complexity in auditing management's estimates and the assumptions in the determination of future revenues used by management in the determination of net realizable values and in the manner in which future economic benefits from the rights will be generated.	To test the measurement of the broadcasting rights, our audit procedures included, among others, the following: • We obtained an understanding, evaluated the design, and tested the operating effectiveness of the controls related to the broadcast rights process. • We obtained management's schedules and considered, on a sample basis, whether the methodology used to expense broadcasting rights was appropriately and consistently applied. • We tested the mathematical accuracy of the schedules and tested, on a sample basis, the completeness and accuracy of the broadcast rights included in the schedules. • We assessed the historical accuracy of management's estimates of future revenues for certain broadcast rights, as applicable, by comparing past projections to historical realized revenues. • We assessed management's estimates of future revenues for certain broadcast rights, such as live events, by comparing forecasted future revenues against historical realized revenues for comparable rights.

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.

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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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 Group 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.

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 Francis Guimond.

Ernst & Young LLP [1]

Montréal, Canada
February 16, 2023

[1] CPA auditor, public accountancy permit no. A118111

TVA GROUP INC.

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021

Consolidated financial statements

TVA GROUP INC.

CONSOLIDATED STATEMENTS OF (LOSS) INCOME

Years ended December 31, 2022 and 2021
(in thousands of Canadian dollars, except per share amounts)

	Notes		2022		2021
Revenues	2 and 24	**$**	**594,409**	$	622,834
Purchases of goods and services	3 and 24		**427,274**		403,156
Employee costs	22		**147,750**		139,395
Depreciation and amortization	11,12 and 13		**29,947**		32,107
Financial expenses	4		**1,305**		2,674
Operational restructuring costs and other	5		**930**		4,670
(Loss) income before (income tax recovery) income taxes and share of income of associates			**(12,797)**		40,832
(Income tax recovery) income taxes	6		**(3,113)**		11,486
Share of income of associates			**(795)**		(1,148)
Net (loss) income		**$**	**(8,889)**	$	30,494
Net (loss) income attributable to:					
Shareholders		**$**	**(8,869)**	$	30,504
Non-controlling interest			**(20)**		(10)
Basic (loss) earnings per share attributable to shareholders		**$**	**(0.21)**	$	0.71
Diluted (loss) earnings per share attributable to shareholders			**(0.21)**		0.70
Weighted average number of outstanding shares			**43,205,535**		43,205,535
Weighted average number of diluted shares			**43,205,535**		43,326,877

See accompanying notes to consolidated financial statements.

TVA GROUP INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Note		2022		2021
Net (loss) income		**$**	**(8,889)**	$	30,494
Other comprehensive income items that will not be reclassified to income:					
Defined benefit plans:					
Re-measurement gain	23		**31,281**		50,818
Deferred income taxes	6		**(8,290)**		(13,467)
			22,991		37,351
Comprehensive income		**$**	**14,102**	$	67,845
Comprehensive income (loss) attributable to:					
Shareholders		**$**	**14,122**	$	67,855
Non-controlling interest			**(20)**		(10)

See accompanying notes to consolidated financial statements.

TVA GROUP INC.

CONSOLIDATED STATEMENTS OF EQUITY

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

	Equity attributable to shareholders				Equity attributable to non-controlling interest	Total equity
	Capital stock (note 20)	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income Defined benefit plans		
Balance as at December 31, 2020	$ 207,280	$ 581	$ 108,175	$ (4,637)	$ 1,220	$ 312,619
Net income (loss)	–	–	30,504	–	(10)	30,494
Other comprehensive income	–	–	–	37,351	–	37,351
Balance as at December 31, 2021	207,280	581	138,679	32,714	1,210	380,464
Net loss	–	–	(8,869)	–	(20)	(8,889)
Dividends	–	–	–	–	(1,190)	(1,190)
Other comprehensive income	–	–	–	22,991	–	22,991
Balance as at December 31, 2022	**$ 207,280**	**$ 581**	**$ 129,810**	**$ 55,705**	**$ –**	**$ 393,376**

See accompanying notes to consolidated financial statements.

TVA GROUP INC.

CONSOLIDATED BALANCE SHEETS

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

	Note		**December 31, 2022**		December 31, 2021
Assets					
Current assets					
Cash		**$**	**–**	$	5,181
Accounts receivable	8		**175,174**		210,814
Income taxes			**8,522**		5,755
Audiovisual content	9		**135,038**		108,530
Prepaid expenses			**4,400**		3,866
			323,134		334,146
Non-current assets					
Audiovisual content	9		**88,225**		72,541
Investments	10		**12,017**		12,115
Property, plant and equipment	11		**157,784**		160,288
Right-of-use assets	13		**7,599**		9,084
Intangible assets	12		**14,671**		20,559
Goodwill	14		**21,696**		21,696
Defined benefit plan asset	23		**45,111**		21,309
Deferred income taxes	6		**5,833**		9,353
			352,936		326,945
Total assets		**$**	**676,070**	$	661,091

TVA GROUP INC.

CONSOLIDATED BALANCE SHEETS (CONTINUED)

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

	Notes	December 31, 2022	December 31, 2021
Liabilities and equity			
Current liabilities			
Bank overdraft		**$ 1,107**	$ –
Accounts payable, accrued liabilities and provisions	15	**114,174**	139,149
Content rights payable		**124,394**	93,383
Deferred revenues		**11,031**	9,961
Income taxes		**562**	1,622
Current portion of lease liabilities	18	**2,318**	2,503
Short-term debt	17	**8,961**	11,980
		262,547	258,598
Non-current liabilities			
Lease liabilities	18	**6,453**	7,857
Other liabilities	19	**5,395**	7,798
Deferred income taxes	6	**8,299**	6,374
		20,147	22,029
Equity			
Capital stock	20	**207,280**	207,280
Contributed surplus		**581**	581
Retained earnings		**129,810**	138,679
Accumulated other comprehensive income		**55,705**	32,714
Equity attributable to shareholders		**393,376**	379,254
Non-controlling interest		**–**	1,210
		393,376	380,464
Commitments, guarantees and contingencies	16 and 25		
Total liabilities and equity		**$ 676,070**	$ 661,091

See accompanying notes to consolidated financial statements.

On February 16, 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, Chairwoman of the Board

[signed]

A. Michel Lavigne, Chairman of the Audit and Risk Management Committee

TVA GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Notes	**2022**	2021
Cash flows related to operating activities			
Net (loss) income		**$ (8,889)**	$ 30,494
Adjustments for:			
Depreciation and amortization	11, 12 and 13	**29,947**	32,107
Share of income of associates		**(795)**	(1,148)
Deferred income taxes	6	**(2,845)**	903
Other		**1,452**	(48)
		18,870	62,308
Net change in non-cash balances related to operating activities	7 a)	**9,184**	(19,423)
Cash flows provided by operating activities		**28,054**	42,885
Cash flows related to investing activities			
Additions to property, plant and equipment	11	**(20,236)**	(17,149)
Additions to intangible assets	12	**(1,114)**	(2,789)
Business acquisitions	5	**(6,323)**	(606)
Dividends to non-controlling shareholders		**(1,150)**	–
Other		**271**	271
Cash flows used in investing activities		**(28,552)**	(20,273)
Cash flows related to financing activities			
Net change in bank overdraft		**1,107**	(1,699)
Net change in revolving credit facility		**(3,019)**	(15,137)
Repayment of lease liabilities	18	**(2,718)**	(3,255)
Other		**(53)**	(178)
Cash flows used in financing activities		**(4,683)**	(20,269)
Net change in cash		**(5,181)**	2,343
Cash at beginning of year		**5,181**	2,838
Cash at end of year		**$ –**	$ 5,181

See accompanying notes to consolidated financial statements.

TVA Group Inc. ("TVA Group" or the "Corporation") is governed by the Quebec *Business Corporations Act*. TVA Group is a communications company engaged in the broadcasting, film production & audiovisual services, international production & distribution of television content, and magazine publishing businesses. The Corporation is a subsidiary of Quebecor Media Inc. ("Quebecor Media" or the "parent corporation") and its ultimate parent corporation is Quebecor Inc. ("Quebecor"). The Corporation's head office is located at 1600 de Maisonneuve Boulevard East, Montreal, Quebec, Canada. The Corporation's direct and indirect ownership interests in its main subsidiaries are as follows:

	% of ownership
TVA Publications inc.	100.0%
MELS Studios and Postproduction G.P.	100.0%
Mels Dubbing Inc.	100.0%
Incendo Média inc.	100.0%
Communications Qolab inc.	100.0%
TVA Productions inc.	100.0%

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements have been prepared in accordance with 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 (note 1(k)), the stock-based compensation liability (note 1(t)) and the net defined benefit asset or liability (note 1(u)), and are presented in Canadian dollars, which is the currency of the primary economic environment in which the Corporation and its subsidiaries operate ("functional currency").

Certain 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.

(b) Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. All intercompany balances and transactions were eliminated on consolidation.

A subsidiary is an entity controlled by the Corporation. The Corporation controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the amount of those returns.

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

(c) Business combinations

A business combination is accounted for by the acquisition method. The cost of an acquisition is measured at the acquisition-date fair value of the consideration given in exchange for control of the acquiree. This consideration may comprise cash payments, asset transfers, financial instrument issues or future contingent payments. The identifiable assets acquired and liabilities assumed from the acquiree are recognized at acquisition-date fair value. The results of an acquiree's operations are included in the Corporation's consolidated financial statements from the date of the business acquisition. The expenses incurred for the acquisition and integration of the acquiree are included in the consolidated statement of (loss) income under "Operational restructuring costs and other."

Non-controlling interest in an acquiree is presented in equity on the consolidated balance sheets, separately from equity attributable to shareholders, and is initially measured at fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated into the functional currency at the exchange rate in effect at the transaction date. Foreign currency transactions are translated into the functional currency at the exchange rate in effect on the transaction date. Translation gains and losses are included in (loss) income for the year under "Financial expenses."

(e) Revenue recognition

The Corporation recognizes revenues from a contract with a customer only when all of the following criteria are satisfied:

- The parties to the contract have approved the contract - in writing, orally or in accordance with other customary business practices - and are committed to performing their respective obligations;
- The Corporation can identify each party's rights regarding the goods or services to be transferred;
- The Corporation 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 Corporation's future cash flows is expected to change as a result of the contract); and
- It is highly probable that the Corporation will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

<u>Advertising revenues</u>

Revenues from the sale of advertising airtime and space on the Corporation's websites and mobile apps are recognized when the advertisement airs or is displayed online. Revenues from the sale of advertising space in magazines are recognized when the advertisement is published, i.e. at the magazine release date.

<u>Subscription revenues</u>

Revenues from specialty television channel subscriptions are recognized on a monthly basis when the service is rendered.

Amounts received for magazine subscriptions are accounted for as deferred revenues and are amortized over the subscription term at publication.

<u>Revenues from soundstage, mobile and equipment rental</u>

Revenues from soundstage, mobile and equipment rental are recognized on a linear basis over the term of the rental.

<u>Revenues from postproduction and visual effects</u>

Revenues from postproduction and visual effects are recognized when the service is rendered.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition (continued)

Revenues from newsstand magazine sales

Revenues from newsstand magazine sales are recognized when the magazines are delivered to newsstands and are calculated using an amount of revenue less an allowance for future returns.

Revenues from production and distribution

Revenues from production and distribution are recognized when the production is completed, delivered and accepted by the customer in accordance with the terms of the license or the distribution agreement, and when the customer can begin to exploit and broadcast the content. Revenues from production services are recognized when the service is rendered.

(f) Impairment of assets

For the purposes of assessing impairment, assets are grouped in cash-generating units ("CGUs"), which are the smallest groups of assets that generate separately identifiable cash inflows. The Corporation reviews at each balance sheet date whether events or circumstances have occurred to indicate that the carrying amounts of long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use are tested for impairment each fiscal 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 is the amount obtainable by an entity at the valuation date from the sale of an asset or a CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset or 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 impaired first. Any excess amount of impairment is recognized and allocated to the 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 with indefinite useful lives, other than goodwill, can be reversed through the consolidated statement of (loss) income when the carrying amount does not exceed the carrying amount that would have been determined had no impairment charge been recognized in previous periods.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Barter transactions

In the normal course of business, the Corporation broadcasts and publishes advertising in exchange for goods and services. The revenues generated and expenses incurred are accounted for on the basis of the fair value of the goods and services provided.

(h) Income taxes

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

Deferred taxes are accounted for using the liability method. Under this method, deferred 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 tax assets and liabilities are valued at the 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 enacted or substantively enacted tax rates on deferred tax assets and liabilities is recognized in (loss) income in the period during which the substantive enactment date falls. 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 subsequently reduced, if necessary, to the amount that is more probable than not to be realized. A deferred tax expense or benefit is recognized in other comprehensive income or otherwise 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 normal course of the Corporation’s operations, there are a number of uncertain tax positions due to the complexity of certain transactions and continuous changes in related tax interpretations and legislation. 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 the income tax liability is no longer probable.

(i) (Loss) earnings per share

(Loss) earnings per share are calculated based on the weighted average number of common shares outstanding during the year. The Corporation uses the treasury stock method to determine the dilutive effects of options when calculating diluted (loss) earnings per share.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leases

For most of its leases, the Corporation recognizes a right-of-use asset and a lease liability on the balance sheet 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 term lease, less incentive payment received, using the Corporation's incremental borrowing rate at that date. 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 paid on lease liabilities is recorded in the consolidated statements of (loss) income as a financial expense and principal payments on the lease liability are presented as part of financing activities in the consolidated statements of cash flows.

(k) Financial instruments

Financial assets and liabilities are classified as subsequently measured at amortized cost, except for certain investments that are presented at fair value in the consolidated statement of comprehensive income.

(l) Financing costs

Financing costs related to debt are capitalized as a reduction of debt and are amortized using the effective interest method.

(m) Tax credits and government assistance

The Corporation is eligible for several government programs designed to support televisual product programming and production and magazine publishing in Canada. In addition, some subsidiaries of the Corporation qualified for the Canada Emergency Wage Subsidy ("CEWS") in the context of the public health crisis. Government financial assistance is recognized as 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 met. In the Magazines segment, government assistance for the production and distribution of Canadian content in magazines is recognized as revenue. Government assistance is initially reported in deferred revenues and amortized over the number of issues.

(n) Trade receivables

Trade receivables are presented net of an allowance for expected credit losses. The Corporation uses the expected credit losses method required under IFRS 9, *Financial Instruments*, to estimate that allowance. It is based on the specific credit risk of its customers, the expected life of the financial assets, historical trends and economic conditions. Individual trade receivables are written off when deemed uncollectible.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Audiovisual content

Television productions

Television productions are accounted for at the lower of cost and net realizable value. The cost of productions includes direct charges for goods and services as well as the share of labour and overhead expenses for each production, and is charged to operating expenses at the time of broadcast or delivery using a method based on the manner in which future economic benefits will be generated.

Broadcast rights

Broadcast rights are contractual rights allowing limited or unlimited broadcast of televisual products or films. The Corporation recognizes an acquired broadcast rights asset and records obligations incurred under broadcast rights acquisition contracts as a liability when the broadcast period begins and the contract conditions have been met.

Prior to all the asset recognition conditions being met, the amounts paid for broadcast rights are accounted for as prepaid broadcast rights under current or non-current “Audiovisual content” as the case may be.

Broadcast rights are classified as current or non-current, based on management’s estimate of the broadcast period. These rights are charged to operating expenses when televisual products and films are broadcast over the contract period, using a method based on the manner in which future economic benefits from the rights will be generated.

Distribution rights

Distribution rights related to film and audiovisual product distribution activities include production costs or costs to acquire film distribution rights and costs incidental to such rights. The Corporation recognizes a distribution rights asset and records obligations incurred under distribution rights acquisition contracts as a liability when the audiovisual content is available for distribution and the contract conditions have been met.

Prior to all the asset recognition conditions in the contract being met, the amounts paid for distribution rights are accounted for as prepaid distribution rights under current or non-current “Audiovisual content,” as the case may be.

Distribution rights are recognized in operating expenses using the individual-film-forecast-computation method. Under this method, each distribution right is expensed based on actual gross revenues relative to total anticipated economic benefits over a reasonable operating period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Audiovisual content (continued)

Net realizable value

Estimates of future revenue, used to determine net realizable values of inventories related to broadcasting and distribution are reviewed periodically by management and revised as necessary. The carrying value of audiovisual content is reduced to net realizable value, as necessary, based on this assessment.

The amount of the impairment write-down of audiovisual content may be reversed when the circumstances that previously caused the write-down expense no longer exist.

(p) Investments

Investments in companies over which the Corporation exercises significant influence are accounted for using the equity method. Under this method, the share of the income of associates is recorded in the consolidated statements of (loss) income. Other investments are recorded at fair value in the consolidated statements of (loss) income. Carrying values of investments are reduced to estimated fair values if there is objective evidence of impairment of the investment.

(q) Property, plant and equipment

Property, plant and equipment are initially stated at cost, which consists of acquisition costs, net of government grants and income tax credits, and/or development costs, including preparation, installation and testing costs. Expenditures, such as maintenance and repair costs, are recorded in operating expenses as incurred.

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

Assets	Estimated useful life
Buildings and their components	10-40 years
Equipment	5-15 years

Leasehold improvements are amortized over the shorter of the term of the lease or estimated useful life.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Goodwill and intangible assets

Goodwill

Goodwill 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. When the Corporation acquires less than 100% of equity interests in the acquiree at the acquisition date, goodwill attributable to the non-controlling interest is also recognized at fair value.

For impairment testing purposes (note 1(f)), goodwill is allocated to one or more CGUs as of the business acquisition date. Goodwill is allocated to the CGU or CGUs expected to benefit from the synergies of the business acquisition.

Intangible assets

Broadcasting licences, magazine operating licences and trademarks have indefinite useful lives and are not amortized.

Customer lists and non-compete clauses arising from business acquisitions are recognized at fair value at the acquisition date.

Software is initially recorded at cost. Internally developed intangible assets such as software and websites are mainly comprised of internal costs incurred for the development of these assets to be used internally or for providing services to customers. Those costs are capitalized when the development stage of the software application begins and costs incurred prior to that stage are recognized as expenses.

Intangible assets with finite useful lives are amortized on a straight-line basis over the following periods:

Assets	Estimated useful life
Software, websites and mobile applications	3-10 years
Customer lists and non-compete clauses	3-10 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Provisions

Provisions are recognized when (a) 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 when (b) the amount of the obligation can be reliably estimated.

Restructuring costs, including among other things 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. Restructuring costs also include a provision for the portion of operating expenses related to onerous leases, net of estimated revenues from the premises left unused following implementation of rationalization plans.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statement of (loss) income in the reporting periods in which the re-measurements occurred.

(t) Stock-based compensation

Stock-based awards to officers or directors that call for settlement in cash, such as Deferred Stock Units “DSUs”, or that call for settlement in cash or other assets at the holder’s option, such 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 expense.

The fair value of the DSUs is based on the underlying share price as of the measurement date. Estimates of the fair value of stock options are determined by applying an option-pricing model, taking into account the terms and conditions of the grant. The main assumptions are discussed in note 21.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Pension plans and postretirement benefits

The Corporation offers employees defined contribution pension plans and defined benefit pension plans.

Defined contribution pension plans

In accordance with its defined contribution pension plans, the Corporation pays fixed contributions to participating employees' pension plans and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as employee costs in the consolidated statements of (loss) income when the contributions fall due.

Defined benefit pension plans and postretirement benefits

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, employee retirement ages and other actuarial factors. Defined benefit pension costs recognized in the consolidated statements of (loss) income under employee costs primarily include the following:

(i) Cost of services in exchange for employee services rendered during the year;

(ii) Past service costs recognized on the earlier of the following dates: (a) when the benefit plan is amended, or (b) when restructuring costs are recognized.

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

Remeasurements of the net defined benefit asset or liability are recognized immediately in other comprehensive income and recorded in accumulated other comprehensive income. Remeasurements include the following items:

(i) Actuarial gains and losses arising from changes in the financial and demographic actuarial assumptions used to determine defined benefit obligations or resulting from experience adjustments on liabilities;

(ii) The difference between the actual rate of return on plan assets and the expected interest revenues on plan assets considered in the calculation of interest on net defined benefit asset or liability;

(iii) Changes in the net defined benefit asset limit or the minimum funding liability.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Pension plans and postretirement benefits (continued)

Defined benefit pension plans and postretirement benefits (continued)

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

Under a former plan, the Corporation also offers life, health and dental insurance plans to some of its retired employees. This postretirement coverage is no longer offered to the Corporation's active employees. The cost of postretirement benefits is determined using an accounting methodology similar to that for defined benefit pension plans. The related expense is funded by the Corporation as the benefits fall due.

(v) Use of estimates

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 the disclosure of contingent assets and liabilities. These estimates are determined to the best of management's knowledge based on the information available at the measurement date. Actual results could differ from these estimates.

The following significant areas require management to make the most difficult, subjective or complex estimates:

(i) Recoverable value of an asset or a CGU

When an impairment test is performed on an asset or CGU, management estimates the recoverable amount of the asset or the CGU on the basis of its fair value less costs of disposal or its value in use. These estimates are based on valuation models that require the use of certain assumptions, such as expected future cash flows, a pre-tax discount rate (WACC) and a perpetual growth rate, or the use of multiples of operating performance of comparable entities. Those assumptions materially affect the results of the impairment tests and the impairment expense recorded in the consolidated statement of (loss) income, if any. Note 14 describes the key assumptions used in the goodwill impairment tests and presents a sensitivity analysis of recoverable amounts.

(ii) Audiovisual content

For the recognition of television rights, management uses assumptions to estimate future revenues for the purpose of determining net realizable value and the manner in which future economic benefits from the rights will be generated. These assumptions take into account, among other factors, viewership and subscriber statistics, the advertising market, the broadcast strategy and the type of content. The estimates can materially affect the audiovisual content costs recognized in the statement of (loss) income and the carrying amount of audiovisual content recognized on the consolidated balance sheet.

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Use of estimates (continued)

(iii) Costs and obligations related to pension plans and postretirement benefits

Defined benefit pension plan costs and obligations are estimated on the basis of a number of assumptions, including the discount rate, future salary levels, the retirement age of employees, health care costs, and other actuarial factors. Some of these assumptions could materially affect the employee costs and financial expenses recognized in the consolidated statement of (loss) income, the gain or loss on remeasurement of defined benefit plans recognized in the consolidated statement of comprehensive income and the carrying amount of defined benefit plan asset and other liabilities recognized in the consolidated balance sheet. Note 23 describes the key assumptions and presents a sensitivity analysis of the discount rate.

(iv) Provisions

Recognition of provisions requires management to estimate the payments required as of the valuation date to settle the existing obligation or transfer it to a third party. In particular, an assessment of the probable outcomes of legal disputes and other contingencies is also necessary. Management's assessment of the potential impact of the outcome of legal disputes is presented in note 16.

2. REVENUES

		2022		2021
Advertising services	**$**	**274,367**	$	290,301
Royalties		**136,968**		141,786
Rental, postproduction and distribution services and other services rendered(1)		**111,354**		126,192
Product sales(2)		**71,720**		64,555
	$	**594,409**	$	622,834

(1) Revenues from soundstage, mobile and equipment rental and rental space amounted to $34,543,000 during the year ended December 31, 2022 ($44,580,000 during the year ended December 31, 2021). Service revenues also include the activities of the Production & Distribution segment.

(2) Revenues from product sales include newsstand and subscription sales of magazines and sales of audiovisual content.

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

3. PURCHASES OF GOODS AND SERVICES

	2022	2021
Rights and audiovisual content costs [1]	$ 317,051	$ 298,354
Printing and distribution	14,555	15,071
Services rendered by the parent corporation:		
- Commissions on advertising sales	24,786	25,689
- Other	8,560	8,610
Building costs	16,603	16,552
Marketing, advertising and promotion	17,290	15,344
Other	28,429	23,536
	$ 427,274	$ 403,156

(1) In 2021, the Corporation reviewed the allocation of the value of the rights attached to the various components of its contract for National Hockey League ("NHL") games to better reflect the financial benefits arising from it. There were also a number of changes to the broadcast schedule for NHL games: the start of the 2020-2021 season was postponed to the beginning of 2021, and the season was shortened. As a result, the timing of recognition in (loss) income of NHL content rights was changed.

Consequently, the cost of NHL rights decreased by $14,475,000 in 2022 compared with 2021, net of recognition in 2021 of a credit obtained for the 2020-2021 season in consideration of the aforementioned circumstances.

4. FINANCIAL EXPENSES

	Note	2022	2021
Interest on debt		$ 1,442	$ 855
Amortization of financing costs		53	53
Interest on lease liabilities		454	554
Interest (income) expense related to defined benefit plans	23	(456)	763
Other		(188)	449
		$ 1,305	$ 2,674

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

5. OPERATIONAL RESTRUCTURING COSTS AND OTHER

		2022		2021
Operational restructuring costs	**$**	**135**	$	4,968
Other		**795**		(298)
	$	**930**	$	4,670

Operational restructuring costs

For the 2022 and 2021 financial years, the segment breakdown of the Corporation's net operational restructuring costs in connection with the elimination of positions and the implementation of cost reduction initiatives is as follows:

		2022		2021
Broadcasting	**$**	**73**	$	4,859
Film Production & Audiovisual Services		**49**		7
Magazines		**13**		(325)
Production & Distribution		**–**		427
	$	**135**	$	4,968

For 2021, operational restructuring costs in the Broadcasting segment included a net amount of $4,110,000 due to the cancellation of a contract to broadcast certain sporting events. Restructuring costs for 2021 also included a $199,000 reversal for onerous leases extending up to June 2022 for premises left unused following implementation of rationalization plans in the Magazines segment.

Other

In the 2022 financial year, the Corporation recorded a $622,000 impairment charge related to its investment in an associate in the Magazines segment following revised financial projections from that corporation's management and the continuing downward trend in revenues in the industry.

During the same period, the Corporation recorded a $587,000 reversal following remeasurement of the contingent consideration related to the acquisition of Incendo ($49,000 reversal in 2021) and made a $6,323,000 payment in respect of this acquisition ($606,000 in 2021).

In fiscal 2022, the Corporation also recorded a $777,000 charge in connection with the write-off of property, plant and equipment in the Film Production and Audiovisual Services segment.

For 2021, the Corporation recorded a $101,000 gain on the write-off of lease liabilities (note 18).

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

6. INCOME TAXES

Income tax (recovery) expense is detailed as follows:

		2022		2021
Current	**$**	**(268)**	$	10,583
Deferred		**(2,845)**		903
	$	**(3,113)**	$	11,486

The following table reconciles income tax (recovery) expense at the Canadian statutory income tax rate of 26.5% in 2022 and 2021 with the income tax (recovery) expense reported on the consolidated statements of (loss) income:

		2022		2021
(Income tax recovery) income taxes at domestic statutory tax rate	**$**	**(3,391)**	$	10,820
Increase resulting from:				
Tax impact of non-deductible charges and non-taxable revenues		**192**		195
Other		**86**		471
(Income tax recovery) income taxes	**$**	**(3,113)**	$	11,486

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

6. INCOME TAXES (continued)

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

	Consolidated balance sheets		Consolidated statements of (loss) income	
	2022	2021	**2022**	2021
Loss carryforwards	**$ 2,408**	$ 2,406	**$ (2)**	$ 135
Income from a general partnership	**–**	(2,074)	**(2,074)**	2,074
Defined benefit plans	**(11,550)**	(5,011)	**(1,751)**	(1,558)
Property, plant and equipment	**1,935**	3,114	**1,179**	(350)
Goodwill and intangible assets	**2,960**	2,023	**(937)**	(730)
Accounts payable, accrued liabilities and provisions	**$ 1,751**	$ 1,976	**$ 225**	$ 793
Other	**30**	545	**515**	539
	$ (2,466)	$ 2,979	**$ (2,845)**	$ 903

Changes in net deferred income tax (liability) asset are as follows:

	2022	2021
Balance at beginning of year	**$ 2,979**	$ 17,349
Recognized in statement of (loss) income	**2,845**	(903)
Recognized in other comprehensive income	**(8,290)**	(13,467)
Balance at end of year	**$ (2,466)**	$ 2,979
Deferred income tax asset	**5,833**	9,353
Deferred income tax liability	**(8,299)**	(6,374)
	$ (2,466)	$ 2,979

The Corporation recorded no deferred tax liabilities with respect to its subsidiaries' retained earnings during the current year or in prior years either because it does not expect to sell these investments or these retained earnings will become taxable.

As at December 31, 2022, the Corporation had operating loss carryforwards for income tax purposes of approximately $9,075,000 available to reduce its future taxable income. These loss carryforwards expire by 2042.

The Corporation also had $166,633,000 in unrecognized loss carryforwards with no expiry to be used solely to reduce future capital gains.

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

7. SUPPLEMENTARY CASH FLOW INFORMATION

The following tables provide supplementary information regarding the consolidated statements of cash flows.

(a) Net changes in non-cash balances related to operating activities are as follows:

		2022		2021
Accounts receivable	**$**	**35,640**	$	(56,754)
Audiovisual content		**(42,192)**		(10,844)
Accounts payable, accrued liabilities and provisions		**(17,060)**		27,330
Content rights payable		**29,267**		31,327
Income taxes		**(3,827)**		(11,157)
Defined benefit plans		**7,356**		6,387
Other		**–**		(5,712)
	$	**9,184**	$	(19,423)

(b) Net Interest and income taxes paid are classified in operating activities and are detailed as follows:

		2022		2021
Interest paid	**$**	**1,766**	$	1,515
Income taxes paid (net of refunds)		**3,559**		21,740

8. ACCOUNTS RECEIVABLE

	Note		2022		2021
Trade receivables	26 b)	**$**	**73,745**	$	85,095
Other receivables			**32,689**		28,990
Trade and other receivables from companies under common control and associates			**55,436**		84,932
Tax credits and government assistance receivable			**13,304**		11,797
		$	**175,174**	$	210,814

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

9. AUDIOVISUAL CONTENT

			2022
	Current	**Non-current**	**Total**
Television productions	**$ 5,218**	**$ 2,683**	**$ 7,901**
Broadcast and distribution rights	**129,191**	**85,542**	**214,733**
Inventories	**629**	**–**	**629**
	$ 135,038	**$ 88,225**	**$ 223,263**

			2021
	Current	Non-current	Total
Television productions	$ 5,145	$ 536	$ 5,681
Broadcast and distribution rights	102,792	72,005	174,797
Inventories	593	–	593
	$ 108,530	$ 72,541	$ 181,071

The cost of inventories and expenses related to television productions, broadcast and distribution rights included in purchases of goods and services and employee costs amounted to $393,402,000 for 2022 ($366,013,000 for 2021). For 2022, an audiovisual content impairment charge totalling $1,773,000 was recorded under purchases of goods and services ($3,268,000 for 2021).

10. INVESTMENTS

	2022	2021
Tele Inter-Rives Ltd., associate, 45% ownership interest	**$ 11,462**	$ 10,938
Publications Senior inc., associate, 50% ownership interest	**500**	1,122
Other investments	**55**	55
	$ 12,017	$ 12,115

Télé Inter-Rives is a company that operates four local television stations, including two that are affiliated with TVA Network. Its head office is in Rivière-du-Loup, Quebec, Canada.

Publications Senior inc. is a company that operates magazines and websites, primarily *Le Bel Âge* and *Good Times*. Its head office is in Montreal, Quebec, Canada.

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

11. PROPERTY, PLANT AND EQUIPMENT

For the years ended December 31, 2022 and 2021, changes in the net carrying amount of property, plant and equipment are as follows:

	Land, buildings and leasehold improvements	Equipment	Projects under development	Total
Cost:				
Balance as at December 31, 2020	$ 199,192	$ 283,537	$ 5,397	$ 488,126
Acquisitions[1]	5,687	5,156	6,879	17,722
Reclassification	(322)	3,520	(3,198)	–
Write-offs and disposals	(65)	(23)	–	(88)
Balance as at December 31, 2021	204,492	292,190	9,078	505,760
Acquisitions[1]	800	5,938	12,131	18,869
Reclassification	4	7,965	(7,969)	–
Write-offs and disposals	(456)	(20,618)	(486)	(21,560)
Balance as at December 31, 2022	**$ 204,840**	**$ 285,475**	**$ 12,754**	**$ 503,069**
Accumulated depreciation and impairment:				
Balance as at December 31, 2020	$ 99,220	$ 223,659	$ –	$ 322,879
Depreciation	7,056	15,625	–	22,681
Write-offs and disposals	(65)	(23)	–	(88)
Balance as at December 31, 2021	106,211	239,261	–	345,472
Depreciation	6,079	14,517	–	20,596
Write-offs and disposals	(165)	(20,618)	–	(20,783)
Balance as at December 31, 2022	**$ 112,125**	**$ 233,160**	**$ –**	**$ 345,285**
Net carrying amount:				
As at December 31, 2021	$ 98,281	$ 52,929	$ 9,078	$ 160,288
As at December 31, 2022	**92,715**	**52,315**	**12,754**	**157,784**

(1) The net change in additions to property, plant and equipment funded by accounts payable, consisting primarily of equipment, was a $1,367,000 decrease for the year ended December 31, 2022 (a $573,000 increase for the year ended December 31, 2021).

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

12. INTANGIBLE ASSETS

For the years ended December 31, 2022 and 2021, changes in the net carrying amount of licences and other intangible assets are as follows:

	Broadcasting licences(1)	Software, websites and mobile applications	Other intangible assets(1)	Projects under development	Total
Cost:					
Balance as at December 31, 2020	$ 92,569	$ 65,421	$ 48,226	$ 1,442	$ 207,658
Acquisitions(2)	–	1,583	–	565	2,148
Reclassification	–	1,388	–	(1,388)	–
Balance as at December 31, 2021	92,569	68,392	48,226	619	209,806
Acquisitions(2)	–	618	–	231	849
Reclassification	–	368	–	(368)	–
Balance as at December 31, 2022	**$ 92,569**	**$ 69,378**	**$ 48,226**	**$ 482**	**$ 210,655**

As at December 31, 2022, the cost of internally generated intangible assets, consisting mainly of software, websites and mobile apps, was $18,216,000 ($18,116,000 as at December 31, 2021). For the year ended December 31, 2022, the Corporation recognized additions to internally generated intangible assets totalling $100,000 ($801,000 for 2021).

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

12. INTANGIBLE ASSETS (continued)

	Broadcasting licences(1)	Software, websites and mobile applications	Other intangible assets(1)	Projects under development	Total
Accumulated amortization and impairment:					
Balance as at December 31, 2020	$ 92,569	$ 57,832	$ 32,229	$ –	$ 182,630
Amortization	–	2,855	3,762	–	6,617
Balance as at December 31, 2021	92,569	60,687	35,991	–	189,247
Amortization	–	2,975	3,762	–	6,737
Balance as at December 31, 2022	**$ 92,569**	**$ 63,662**	**$ 39,753**	**$ –**	**$ 195,984**
Net carrying amount:					
As at December 31, 2021	$ –	$ 7,705	$ 12,235	$ 619	$ 20,559
As at December 31, 2022	**–**	**5,716**	**8,473**	**482**	**14,671**

(1) Intangible assets with indefinite useful lives are not amortized. They include fully impaired broadcasting licences in the Broadcasting CGU and a fully impaired magazine operating licence. They also include trademarks in the Broadcasting CGU and the Magazines CGU with a net carrying amount of $4,050,000 in 2022 and 2021.

(2) The net change in additions to intangible assets funded by accounts payable, consisting primarily of software, was a $265,000 decrease for the year ended December 31, 2022 ($641,000 decrease for the year ended December 31, 2021).

As at December 31, 2022, the accumulated amortization and impairment of internally generated intangible assets, consisting primarily of software, websites and mobile apps, amounted to $16,648,000 ($15,951,000 as at December 31, 2021). For the year ended December 31, 2022, the Corporation recognized an amortization expense arising from internally generated intangible assets in the amount of $697,000 ($721,000 for 2021).

As at December 31, 2022, internally generated intangible assets had a net carrying amount of $1,568,000 ($2,165,000 at December 31, 2021).

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

13. RIGHT-OF-USE ASSETS

For the years ended December 31, 2022 and 2021, changes in the net carrying amount of right-of-use assets are as follows:

	Note	2022	2021
Cost :			
Balance at beginning of year		**$ 23,362**	$ 25,875
Acquisitions funded by lease liabilities	18	**1,129**	1,567
Write-offs and other		**(4,424)**	(4,080)
Balance at end of year		**$ 20,067**	$ 23,362
Accumulated depreciation and impairment:			
Balance at beginning of year		**$ 14,278**	$ 15,549
Depreciation		**2,614**	2,809
Write-offs and other		**(4,424)**	(4,080)
Balance at end of year		**$ 12,468**	$ 14,278
Net carrying amount		**7,599**	9,084

The Corporation does not recognize right-of-use assets or lease liabilities for short-term contracts or for which the underlying assets are of low value.

The net carrying value includes right-of-use assets with companies under common control in the amount of $354,000 ($666,000 for 2021) and an amortization expense related to these contracts in the amount of $312,000 ($355,000 for 2021).

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

14. GOODWILL

The net carrying amount of goodwill is detailed as follows:

CGUs		2022		2021
Broadcasting	**$**	**4,813**	$	4,813
Film Production & Audiovisual Services		**9,102**		9,102
Production & Distribution		**7,781**		7,781
	$	**21,696**	$	21,696

Recoverable amounts

Recoverable amounts of CGUs were determined based on the higher of value in use or fair value less costs of disposal with respect to the impairment tests performed. The Corporation uses the discounted cash flow method to estimate recoverable value, consisting of future cash flows derived primarily from the most recent budget and from the three-year strategic plan approved by the Corporation’s management. These forecasts consider each CGU’s past operating performance and market share as well as economic trends, along with specific market and 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 property, plant and equipment expenditures. As such, assumptions take into account, among other things, subscriber statistics, advertising market trends, the competitive landscape, evolving product and service offerings, proliferation of media platforms and changes in content spend requirements, technology and operating cost structures.

The perpetual growth rate is used for cash flows beyond the three-year period in the strategic plan. 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 of each CGU. In some cases, the Corporation can also estimate the fair value less cost of disposal with a market approach based on multiples of operating performance of comparable entities, transaction metrics and other available market information, instead of using primarily the discounted cash flow method.

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

14. GOODWILL (continued)

Recoverable amounts (continued)

The following key assumptions were used to determine recoverable amounts in the most recent impairment tests:

	2022		2021	
CGUs	**Pre-tax discount rate (WACC)**	**Perpetual growth rate**	Pre-tax discount rate (WACC)	Perpetual growth rate
Broadcasting[1]	**– %**	**– %**	– %	– %
Film Production & Audiovisual Services[2]	**14.2 %**	**2.0 %**	11.8 %	2.0 %
Production & Distribution[2]	**16.0 %**	**1.0 %**	13.5 %	1.0 %

(1) The recoverable amount of the Broadcasting CGU is based on the fair value less costs of disposal.

(2) The recoverable amounts of these CGUs are based on value in use.

For the Film Production & Audiovisual Services CGU, any material variance in the pre-tax discount rate (WACC) or the perpetual growth rate used in the most recently performed test could result in the recoverable amount being lower than the carrying amount of the CGU.

15. ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND PROVISIONS

	2022	2021
Accounts payable and accrued liabilities	**$ 59,738**	$ 59,674
Employee salaries and benefits	**19,213**	22,524
Accounts payable to companies under common control and associates	**33,477**	54,963
Provisions	**1,198**	1,676
Stock-based compensation	**456**	233
Interest payable	**92**	79
	$ 114,174	$ 139,149

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

16. CONTINGENCIES

There are a number of pending legal proceedings brought by and against the Corporation and its subsidiaries. Lawsuits were brought by and against the Corporation, and against Quebecor and some of its subsidiaries, in connection with business disputes with a cable operator. At this stage in the proceedings, the management of the Corporation does not expect their outcome to have a material adverse effect on the Corporation's results or on its financial position.

Management of the Corporation, after taking legal advice, has established provisions for specific claims or actions considering the facts of each case. The Corporation cannot determine when and if a payment related to these provisions will be made.

17. SHORT-TERM DEBT

		2022		2021
Bank credit facility[(1)]	**$**	**8,970**	$	11,989
Financing costs, net of accumulated amortization		**(9)**		(9)
Short-term debt	**$**	**8,961**	$	11,980

(1) The Corporation's bank credit facility comprises a revolving credit facility of $75,000,000, maturing on February 24, 2023. The secured revolving credit facility bears interest at floating rates based on Bankers' acceptance rates, Canadian or U.S. prime rate, plus a variable spread determined by a leverage ratio. The bank credit facility contains covenants such as maintaining certain financial ratios, limiting the Corporation's ability to incur additional indebtedness and restricting the payment of dividends and other distributions. It is secured by liens on all of its movable assets and an immovable hypothec on its head office building. As at December 31, 2022, drawings on the revolving credit facility consisted of a bankers' acceptance in the amount of $8,970,000 bearing interest at an effective rate of 6.06% and an outstanding letter of credit in the amount of $89,000. As at December 31, 2021, drawings on the revolving credit facility consisted of a bankers' acceptance in the amount of $11,989,000 bearing interest at an effective rate of 1.85% and an outstanding letter of credit in the amount of $111,000.

On February 15, 2023, the Corporation amended its $75,000,000 secured revolving credit facility to extend its term from February 24, 2023 to February 24, 2024.

In December 2021, Investissement Québec extended an unsecured, interest-free loan for a maximum amount of $25,000,000 to Mels Studios and Postproduction G.P. in order to support the construction of a fourth production studio. The loan contains certain restrictive covenants, as well as typical representations and warranties for such loans. The agreement provides for repayment of the loan over 10 years and includes a moratorium for the first three years. As at December 31, 2022 and 2021, no disbursement had been made on the loan by Investissement Québec.

As at December 31, 2022, the Corporation was in compliance with the terms of its bank credit facility.

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

18. LEASE LIABILITIES

For the years ended December 31, 2022 and 2021, changes in lease liabilities are as follows:

		2022		2021
Balance at beginning of year	**$**	**10,360**	$	12,149
Lease liabilities funding the right-of-use assets		**1,129**		1,567
Payments		**(2,718)**		(3,255)
Write-offs and other		**–**		(101)
Balance at end of year	**$**	**8,771**	$	10,360

Lease liabilities due to companies under common control totalled $474,000 at December 31, 2022 ($716,000 at December 31, 2021).

Interest rates on lease liabilities ranged between 3.1% and 7.3% at December 31, 2022 and 2021.

Payments of lease liabilities due in the coming years are as follows:

2023	$	2,318
2024		1,557
2025		1,466
2026		1,146
2027		588
2028 and thereafter		1,696
	$	8,771

19. OTHER LIABILITIES

	Note		**2022**		2021
Content rights payable		**$**	**3,363**	$	5,107
Stock-based compensation[(1)]			**1,182**		1,932
Defined benefit plans	23		**345**		468
Deferred revenues and other			**505**		291
		$	**5,395**	$	7,798

(1) The current portion of stock-based compensation is included in accounts payable, accrued liabilities and provisions.

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

20. CAPITAL STOCK

Authorized

An unlimited number of Class A common shares, participating, voting, without par value.

An unlimited number of Class B shares, participating, non-voting, without par value.

An unlimited number of preferred shares, non-participating, non-voting, with a par value of $10 each, issuable in series.

		2022		2021
Issued and paid up				
4,320,000 Class A common shares	**$**	**72**	$	72
38,885,535 Class B shares		**207,208**		207,208
	$	**207,280**	$	207,280

21. STOCK-BASED COMPENSATION

(a) Class B stock option plan for officers

The plan specifies that the granting of options and the terms and conditions associated with the options granted are determined by the Corporation’s Human Resources and Corporate Governance Committee. However, the purchase price of each Class B share under an option cannot be less than the closing price on the Toronto Stock Exchange on the last trading day before the option is granted. In addition, the option term cannot exceed ten years. The number of Class B shares issuable over the term of the Class B stock option plan for officers is 2,200,000.

When exercising options, holders may elect to receive from the Corporation a cash payment equal to the number of shares underlying the options exercised, multiplied by the difference between the market value and the subscription price of the shares under option or, subject to certain terms and conditions, subscribe for Class B shares of the Corporation at the subscription price. Market value is defined as the average closing market price of the shares over the last five trading days preceding the date on which the option was exercised. Option holders have undertaken to obtain the Corporation’s consent before exercising their right to subscribe for the shares for which they wish to exercise their options.

Unless the Human Resources and Corporate Governance Committee decides otherwise, options are exercisable over a five-year period as follows:

(i) equally over five years, with the first 20% portion vesting as of the first anniversary of the grant date;

(ii) equally over four years, with the first 25% portion vesting as of the second anniversary of the grant date;

(iii) equally over three years, with the first 33⅓% portion vesting as of the third anniversary of the grant date.

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

21. STOCK-BASED COMPENSATION (continued)

(a) Class B stock option plan for officers (continued)

Since 2018, the Human Resources and Corporate Governance Committee has determined that the options would vest equally over three years with the first 33⅓% vesting on the third anniversary of the date of grant.

The following table provides details of changes to outstanding options granted through December 31, 2022 and 2021:

		2022		2021
	Number	**Weighted average exercise price**	Number	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

The following table provides summary information on stock options outstanding as at December 31, 2022:

		Outstanding options			**Vested options**
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$1.40 to $2.05	273,002	7.18	$ 1.64	33,832	$ 2.05
$2.16 to $2.76	221,501	8.31	2.57	47,666	2.16
$6.85	25,000	2.09	6.85	25,000	6.85
$1.40 to $6.85	**519,503**	**7.41**	**$ 2.29**	**106,498**	**$ 3.23**

During the year ended December 31, 2021, $29,000 was disbursed by the Corporation for the Corporation stock options exercised.

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

21. STOCK-BASED COMPENSATION (continued)

(b) Quebecor Media stock option plan

During the year ended December 31, 2021, 7,800 Quebecor Media stock options were exercised for a cash consideration of $445,000. As at December 31, 2022, no Quebecor Media stock options were outstanding under the plan.

(c) Quebecor stock option plan

This stock option plan was established by Quebecor for directors, officers, senior managers and other key employees of Quebecor and its subsidiaries. Options may be exercised at a price equal to the weighted average price of Quebecor Class B Shares on the Toronto Stock Exchange for the last five trading days immediately preceding the grant date. Each option may be exercised during a period not exceeding 10 years after the grant date. Under the provisions of the plan, options normally vest as follows: 1/3 after one year, 2/3 after two years and 100% three years after the initial grant. The Board of Directors of Quebecor may, at its discretion, determine other terms and conditions of exercise at the time of each grant. Since 2018, the Board of Directors has determined that the options would vest over three years with the first 33⅓% vesting on the third anniversary of the date of grant. Holders of options under the stock option plan have the following choices when exercising their options: acquire Quebecor Class B Shares at the exercise price of the option or receive a cash payment equal to the difference between the market value of the underlying shares and exercise price of the option. Option holders have undertaken to obtain Quebecor's consent before exercising their right to subscribe for the shares when they exercise their options.

The following table provides details of changes to stock options granted to senior executives of the Corporation as at December 31, 2022 and 2021:

		2022		2021
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Balance at beginning of year	**207,295**	**$ 31.12**	590,795	$ 30.30
Granted	**60,000**	**27.85**	–	–
Exercised	**–**	**–**	(43,332)	26.52
Cancelled	**–**	**–**	(340,168)	30.29
Transferred	**(23,079)**	**30.69**	–	–
Balance at end of year	**244,216**	**$ 30.36**	207,295	$ 31.12
Vested options at end of year	**47,330**	**$ 28.63**	13,833	$ 26.52

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

21. STOCK-BASED COMPENSATION (continued)

(c) Quebecor stock option plan (continued)

The following table provides summary information on stock options outstanding as at December 31, 2022:

	Outstanding options			Vested options	
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$26.52 to $33.19	244,216	7.49	$ 30.36	47,330	$ 28.63
$26.52 to $33.19	**244,216**	**7.49**	**$ 30.36**	**47,330**	**$ 28.63**

During the year ended December 31, 2021, $193,000 was disbursed by the Corporation for the Quebecor stock options exercised.

(d) Deferred stock unit plans

TVA Group has a deferred stock unit ("DSU") plan for some management employees based on TVA Group Class B Non-Voting Shares ("TVA Group Class B Shares"). The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or cessation of employment, as the case may be. Holders of DSUs are entitled to receive additional shares upon payment of dividends on TVA Group Class B Shares. No treasury shares will be issued for the purposes of the plan.

Quebecor also has a DSU plan for its employees and those of its subsidiaries, based on, among other things, Quebecor Class B Shares. The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or cessation of employment, as the case may be. Holders of DSUs are entitled to receive additional shares upon payment of dividends on Quebecor Class B Shares. No treasury shares will be issued for the purposes of the plan.

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

21. STOCK-BASED COMPENSATION (continued)

(d) Deferred stock unit plans (continued)

The following table shows changes to outstanding units under the DSU plans during the year ended December 31, 2022:

	Outstanding units DSU
TVA Group	
Balance at beginning of year	102,648
Redeemed	(58,282)
Transferred	(7,401)
Balance at end of year	**36,965**
Quebecor	
Balance at beginning of year	14,874
Granted	558
Redeemed	(12,950)
Transferred	(1,611)
Balance at end of year	**871**

An amount totalling $413,000 was disbursed by the Corporation to redeem DSUs in 2022 ($182,000 in 2021).

(e) Deferred stock unit plan for directors

The Corporation has a DSU plan for the Corporation's directors. Under the terms of the DSU plan, each director who is not an officer of the Corporation must receive a minimum of $15,000 per year in the form of DSUs ("mandatory portion"). Once the minimum ownership threshold described in the Directors' Minimum Ownership Policy has been reached, the mandatory portion is lowered to a minimum of $10,000 per year. Subject to certain conditions, each director may elect to receive up to 100% of the total cash compensation payable for his or her services as a director in the form of DSUs.

The value of a DSU is based on the weighted average trading price of the Corporation's Class B non-voting shares on the Toronto Stock Exchange over the last five trading days immediately preceding the relevant date. DSUs entitle the holder to receive dividends, payable in the form of additional DSUs at the same rate as that which applies to the dividends paid from time to time on the Class B non-voting shares.

The DSU plan provides that all DSUs credited to a director's account will be redeemed by the Corporation at the director's request and their value will be paid to the director after he or she ceases to be a director of the Corporation. For the purposes of DSU repurchase, the value of a DSU is determined on the basis of the closing price of the Class B non-voting shares on the Toronto Stock Exchange on the last trading day before the repurchase date.

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

21. STOCK-BASED COMPENSATION (continued)

(e) Deferred stock unit plan for directors (continued)

The following table details changes to outstanding units under the DSU plan for directors during the year ended December 31, 2022:

	Outstanding units Corporation stock units
Balance at beginning of year	385,440
Granted	61,494
Balance at end of year	446,934

During 2021, $106,000 was disbursed by the Corporation for redemption of DSUs for directors.

(f) Assumptions for estimating the fair value of stock options

The fair value of stock options under the Corporation and Quebecor 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 Corporation and Quebecor stock option plans as at December 31, 2022 and 2021:

	TVA Group		**Quebecor**	
	2022	2021	**2022**	2021
Risk-free interest rate	**3.74 %**	1.29 %	**3.74 %**	1.33 %
Dividend yield	**– %**	– %	**3.97 %**	3.91 %
Expected volatility	**47.46 %**	52.11 %	**22.56 %**	22.11 %
Expected remaining life	**3.6 years**	3.7 years	**3.5 years**	3.8 years

The expected remaining life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free 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. Dividend yield is based on the current average yield.

As at December 31, 2022, the intrinsic value of liabilities for which options have vested was $102,000 ($37,000 as at December 31, 2021).

(g) Stock-based compensation expense

For the year ended December 31, 2022, a $115,000 reversal of the compensation expense was recognized in connection with all the stock-based compensation plans (an $11,000 reversal for the year ended December 31, 2021).

22. TAX CREDITS AND GOVERNMENT ASSISTANCE

Revenues included $9,564,000 ($12,540,000 for 2021) in government assistance, primarily for creating and publishing Canadian content in magazines.

Tax credits and government assistance were recorded as a reduction of operating expenses, primarily under employee costs in the amount of $46,000 ($3,835,000 for 2021), under program production expenses in the amount of $38,000 ($34,000 for 2021) and under leasing expenses in the amount of $5,000 ($257,000 for 2021).

Tax credits in the amount of $6,413,000 ($6,295,000 for 2021) were recorded as a reduction of production costs in the Production & Distribution segment, which are included under “Audiovisual content” on the balance sheet.

Deferred revenues included $1,885,000 ($2,334,000 for 2021) in financial assistance for creating and publishing Canadian content in magazines.

23. PENSION PLANS AND POSTRETIREMENT BENEFITS

Pension plans provided to the management and unionized employees of the Corporation include a defined benefit portion based on career earnings indexed before and after retirement, as well as a defined contribution portion. The Corporation offers some senior managers an end-of-career earnings pension plan indexed before and after retirement, as well as a non-indexed supplemental postretirement plan for which the benefits offset the tax limit effect. Certain employees are provided with a career-earnings pension plan indexed before and after retirement. The Corporation also offers other retirement benefits to eligible retired employees.

TVA Group pension plans are registered with a Quebec or federal regulatory authority. The Corporation’s financing policy is to maintain its contributions at sufficient levels to fund benefit payments and to meet applicable regulatory requirements and provisions governing pension plan funding. These provisions require, among other things, the future payment of special solvency contributions when the funding of the retirement plans is insufficient under applicable Quebec and federal legislation. The contributions are determined by an actuarial valuation performed by an independent company at least once every three years or annually, according to the applicable legislation and the provisions of the plans.

By their design, the defined benefit plans expose the Corporation to certain specific risks, such as investment performance, changes to the discount rate used to value the obligations, longevity of plan members and future inflation. The plans are administered by the pension committees, which are composed of plan members, members of Corporation management and independent members, or by the Corporation, according to the provisions of the plans. Under the Corporation’s rules of governance, approval and oversight of all policies related to defined benefit plans are the responsibility at different levels of the pension committees, the Corporation’s senior management and the Audit and Risk Management Committee. Management of the risks associated with the pension plans is also performed under the control of these committees at various levels. Custody of securities and management of securities transactions are also performed by trustees under a mandate conferred by the Pension Committee or the Corporation, as the case may be. The policies include those dealing with investment objectives, risk mitigation strategies and the mandate to hire investment fund managers and oversee their work and their performance. The defined benefit plans are monitored on an ongoing basis to assess funding and investment policies, financial status and the funding requirements of the Corporation.

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

23. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The following table provides information on the defined benefit plans and reconciles the changes in the plans' accrued 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 beginning of year	**$ 327,509**	$ 351,760	**$ 468**	$ 592
Service costs	**5,827**	7,000	**21**	23
Interest costs	**9,884**	8,893	**19**	17
Participant contributions	**2,530**	2,562	**–**	–
Actuarial (gains) losses arising from:				
Financial assumptions	**(79,673)**	(26,445)	**(273)**	(45)
Demographic assumptions	**(1,727)**	525	**(7)**	–
Participant experience	**(3,842)**	652	**20**	–
Benefits paid	**(12,993)**	(17,646)	**(43)**	(43)
Past service costs	**1,165**	208	**–**	–
Other	**–**	–	**140**	(76)
Benefit obligations at end of year	**$ 248,680**	$ 327,509	**$ 345**	$ 468
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 360,169**	$ 336,851	**$ –**	$ –
Actual return on plan assets	**(44,616)**	36,305	**–**	–
Employer contributions	**53**	2,097	**43**	43
Participant contributions	**2,530**	2,562	**–**	–
Transfers	**(128)**	–	**–**	–
Benefits paid	**(12,993)**	(17,646)	**(43)**	(43)
Fair value of plan assets at end of year	**$ 305,015**	$ 360,169	**$ –**	$ –

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

23. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

As at December 31, 2022, the weighted average duration of defined benefit obligations was 13.0 years (15.4 years as at December 31, 2021). The Corporation expects to make benefit payments in the amount of $13,465,000 in 2023.

The Corporation's investment strategy for plan assets takes into consideration a number of factors, including the time horizon of plan obligations and investment risk. For each plan, an allocation range is developed for each asset category, in which a combination of equity securities and debt securities is used to optimize the risk-return profile of plan assets and mitigate any mismatch between assets and liabilities.

Plan assets are allocated as follows:

	2022	2021
Equity securities:		
Canadian	**16.9 %**	17.3 %
Foreign	**40.1**	38.7
Debt securities	**41.4**	43.2
Other	**1.6**	0.8
	100.0 %	100.0 %

The fair value of equity securities and debt securities is based on quoted prices in an active market, unlike the fair value of other investments.

Where funded plans have a net defined benefit asset, the Corporation determines if potential reductions in future contributions are permitted by applicable regulation and collective agreements. When a defined benefit asset is created, it may not exceed the future economic benefit that the Corporation may expect to derive from that asset. The future economic benefit represents the value of future contribution holidays and fees payable to the pension plan. It does not reflect potential future gains that could enable the Corporation to take contribution holidays. Where there is a minimum funding requirement, this may further limit the amount recognized on the balance sheet. The minimum funding requirement represents the present value of solvency contributions, based on the latest actuarial funding valuations filed.

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

23. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

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

	Pension benefits		Postretirement benefits	
	2022	2021	**2022**	2021
Reconciliation of funded status				
Benefit obligations	**$ (248,680)**	$ (327,509)	**$ (345)**	$ (468)
Fair value of plan assets	**305,015**	360,169	**–**	–
Plan surplus (deficit)	**$ 56,335**	$ 32,660	**$ (345)**	$ (468)
Asset limit	**(11,224)**	(11,351)	**–**	–
Net amount recognized[1]	**$ 45,111**	$ 21,309	**$ (345)**	$ (468)

[1] The net amount recognized for 2022 comprised a $45,111,000 asset reported under "Defined benefit plan asset" ($21,309,000 as at December 31, 2021) and a $345,000 liability reported under "Other liabilities" ($468,000 at December 31, 2021) (note 19).

The re-measurement components are:

	Pension benefits		Postretirement benefits	
	2022	2021	**2022**	2021
Actuarial gain on benefit obligations	**$ 85,242**	$ 25,268	**$ 260**	$ 45
Actual return on plan assets, less interest income anticipated in the interest on the net defined benefit asset or liability calculation	**(54,688)**	28,565	**–**	–
Asset limit	**467**	(3,060)	**–**	–
Re-measurements recorded in comprehensive income	**$ 31,021**	$ 50,773	**$ 260**	$ 45

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

23. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Components of the net benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2022	2021	**2022**	2021
Employee costs:				
Service costs	**$ 5,827**	$ 7,000	**$ 21**	$ 23
Past service costs and other	**1,784**	814	**–**	–
Interest on net defined benefit asset or liability	**(475)**	746	**19**	17
Net benefit costs	**$ 7,136**	$ 8,560	**$ 40**	$ 40

The cost related to defined contribution pension plans for fiscal 2022 amounted to $2,853,000 ($2,830,000 for 2021).

The expected employer contributions to the Corporation's defined benefit pension plans and postretirement benefit plans for 2023 are $110,000, based on the most recently filed actuarial report (contributions of $96,000 were paid in 2022).

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

23. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Assumptions

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

The actuarial assumptions used to determine the Corporation's retirement plan obligations as at December 31, 2022 and 2021 are as follows:

	Pension benefits 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 average retirement age assumed for plan members varies with the plan and averaged 63 in 2022 (61 in 2021).

For the purpose of calculating the postretirement benefit obligation, the annual rate of increase in healthcare costs was assumed to be 6.1% at the end of 2022. Based on forecasts, the cost is expected to decrease gradually over the next 15 years to 4.2%, and to remain at that level thereafter.

Sensitivity analysis

As at December 31, 2022, an increase of 10 basis points in the discount rate would have decreased the pension benefits obligation by $2,842,000 and the postretirement benefits obligation by $3,000.

There are limitations to this sensitivity analysis since it only considers the impact of a 10 basis point increase in the discount rate, without any change in the other assumptions. No sensitivity analysis was performed on the other assumptions, because similar changes in those assumptions would have no significant impact on the consolidated financial statements.

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

24. RELATED-PARTY TRANSACTIONS

Compensation of key officers

The key officers are the senior executives and the members of the Board of Directors of the Corporation. Their compensation is as follows:

		2022		2021
Salaries and short-term benefits	**$**	**2,628**	$	3,731
Stock-based compensation		**(115)**		148
Severances and other long-term benefits		**36**		1,136
	$	**2,549**	$	5,015

Revenues and operating expenses

For the year ended December 31, 2022, the Corporation entered into the following transactions with related parties in the normal course of business. These transactions were accounted for at the consideration agreed between parties.

- The Corporation sold advertising space and content, recognized subscription revenues and provided production, postproduction and other services to companies under common control and associates for an aggregate amount of $126,832,000 ($115,679,000 for 2021).
- The Corporation recorded content acquisition costs, telecommunications service costs, advertising space acquisition costs, professional service fees and commissions on sales and news gathering services arising from transactions with companies under common control and associates totalling $106,127,000 ($59,118,000 for 2021).
- In 2022, the Corporation also billed management fees to companies under common control in the amount of $5,803,000 ($5,633,000 for 2021). These fees are recorded as a reduction of operating expenses.
- The Corporation also assumed management fees of the parent corporation amounting to $3,780,000 ($3,320,000 for 2021).

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

25. COMMITMENTS AND GUARANTEES

(a) Contracts for services and purchase agreements

The Corporation has commitments under contracts for services, broadcast and distribution rights, property, plant and equipment and intangible assets, calling for payments totalling $416,941,000, including $1,598,000 with related companies. Minimum payments for future years are as follows:

2023	$	175,758
2024 to 2027		236,800
2028 and thereafter	$	4,383

Commitments regarding rights include commitments arising from the agreement with Rogers Communications made by Quebecor Media and TVA Group in 2013 for Canadian French-language broadcast rights to NHL games. Total commitments related to that agreement have been included in the Corporation’s commitments.

(b) Guarantees

The Corporation has guaranteed a portion of the residual values of certain assets under lease for the benefit of the lessor. If the fair value of the assets at the end of their respective lease terms is less than their guaranteed residual value, the Corporation is required to compensate the lessor for a portion of the shortfall, subject to certain conditions. In previous years, the Corporation has made no payments in respect of these guarantees.

In the normal course of business, the Corporation enters into indemnification agreements with third parties as part of certain transactions, including acquisition contracts for goods, service agreements and leases. These indemnification agreements require the Corporation to compensate the third parties for costs incurred as a result of specific circumstances. The terms of these indemnification agreements vary from transaction to transaction, based on the contract terms. The nature of these indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to third parties for all of its commitments.

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Corporation's risk management policy is established to identify and analyze the Corporation's risk exposures, set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

As the Corporation and its subsidiaries use financial instruments, they are exposed to credit risk, liquidity risk and market risk related to foreign exchange and interest rate fluctuations.

(a) Fair value of financial instruments

In accordance with IFRS 13, *Fair Value Measurement*, the Corporation has considered the following fair value hierarchy. This hierarchy reflects the significance of the inputs used in measuring the financial instruments accounted for at fair value on the consolidated balance sheets:

- 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 short-term debt is estimated based on a valuation model using Level 2 inputs. The fair value is 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 short-term debt corresponds to its carrying amount as at December 31, 2022 and 2021.

(b) Credit risk management

Credit risk is the risk of the Corporation incurring a financial loss on bad debts should a client or another party to the contract fail to meet its contractual obligations and arises principally from amounts receivable from clients.

The carrying amounts of financial assets represent the Corporation's maximum credit exposure. As at December 31, 2022, the gross carrying amount of trade receivables, excluding companies under common control and associates, was $75,197,000 ($86,614,000 as at December 31, 2021).

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk management (continued)

In the normal course of business, the Corporation regularly evaluates the financial position of its clients and reviews the credit history of each new client. The Corporation uses its clients' historical terms of payment and acceptable collection periods for each client class, as well as changes in its clients' credit profiles, to define default to collect amounts receivable from clients. As at December 31, 2022 and 2021, no clients had balances representing a significant portion of the Corporation's consolidated trade receivables. The Corporation uses the expected credit losses method to estimate the allowance. It is based on the specific credit risk of its customers, the expected life of the financial assets, historical trends and economic conditions. The Corporation has trade accounts receivable from numerous clients, primarily advertising agencies. As a result, the Corporation does not believe that it is exposed to an unusual or significant level of credit risk. As at December 31, 2022, 9.7% of trade receivables, excluding companies under common control and associates, had been outstanding for more than 90 days after the billing date (14.3% as at December 31, 2021), of which 21.3% were covered by an allowance for doubtful accounts (13.2% as at December 31, 2021).

The table below shows the variance in the allowance for expected credit losses for the years ended December 31, 2022 and 2021:

	2022	2021
Balance at beginning of year	**$ 1,519**	$ 1,977
Changes in expected credit losses	**120**	(371)
Write-off	**(187)**	(87)
Balance at end of year	**$ 1,452**	$ 1,519

(c) Liquidity risk management

Liquidity risk is the risk that the Corporation and its subsidiaries will be unable to meet financial obligations as they fall due or will be required to meet them at excessive cost. The Corporation and its subsidiaries ensure that they have sufficient cash flows from continuing operations and available sources of financing to meet future cash requirements for long-term investments, working capital, interest payments and debt servicing, lease liabilities, income tax payments, pension plan contributions, dividends, share redemptions, commitments and guarantees.

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk management (continued)

As at December 31, 2022, the obligations and maturities of significant financial liabilities of the Corporation are as follows:

	Total	Less than 1 year	1-3 years	More than 3 years
Bank overdraft	$ **1,107**	$ 1,107	$ –	$ –
Accounts payable, accrued liabilities and provisions	**114,644**	114,644	–	–
Content rights payable	**127,757**	124,394	3,363	–
Lease liabilities	**8,771**	2,318	3,023	3,430
Short-term debt	**8,970**	8,970	–	–
Interest payments[(1)]	**1,528**	665	497	366
Total	**$ 262,777**	**$ 252,098**	**$ 6,883**	**$ 3,796**

(1) Interest is calculated on a constant debt level equal to that at December 31, 2022 and includes standby fees on the revolving credit facility and interest on lease liabilities.

(d) Market risk

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

Foreign exchange risk

The Corporation is exposed to limited foreign exchange risk on revenues and expenses arising from transactions made in currencies other than the Canadian dollar. The most frequently used foreign currency is the U.S. dollar, which is primarily used to make capital expenditures and collect income from certain clients. Given the low volume of foreign currency transactions, the Corporation rarely uses financial instruments to hedge foreign exchange risk. Accordingly, the Corporation has limited sensitivity to changes in foreign exchange rates.

Interest rate risk

The Corporation is exposed to interest rate risk associated with its secured revolving credit facility. As at December 31, 2022, the Corporation's short-term debt consisted entirely of floating-rate debt.

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Capital management

The Corporation's primary objectives in managing capital are to:

- Safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders;
- Maintain an optimal capital base in order to meet the capital requirements of its various operating segments, including growth opportunities and maintaining investor and creditor confidence.

The Corporation manages its capital structure in accordance with the characteristics of the risks associated with its segments' underlying assets and applicable requirements, if any. The Corporation manages its capital structure by issuing new debt or repaying existing debt with cash flows provided by operating activities, distributing amounts to shareholders through dividends or share redemptions or issuing capital stock in the marketplace and making adjustments to its capital expenditure program. The Corporation's strategy remains unchanged from last year.

The Corporation's capital structure consists of shareholders' equity, a bank overdraft, short-term debt and lease liabilities, less cash.

The capital structure as at December 31, 2022 and 2021 was as follows:

	2022	2021
Bank overdraft	**$ 1,107**	$ –
Short-term debt	**8,970**	11,989
Lease liabilities	**8,771**	10,360
Cash	**–**	(5,181)
Net liabilities	**18,848**	17,168
Equity	**$ 393,376**	$ 379,254

Excluding maintenance of certain financial ratios under its credit agreement, the Corporation is not subject to any other externally imposed capital requirements. As at December 31, 2022, the Corporation was in compliance with the terms of its credit agreement.

27. SEGMENTED INFORMATION

Management made changes to the Corporation's management structure at the beginning of the year. As a result, the activities of the TVA Films division, previously presented in the Broadcasting segment, have been combined with the Production & Distribution segment's existing distribution activities. Disclosures for the financial year ended December 31, 2021 have been restated to reflect this new presentation.

The Corporation's operations consist of the following segments:

– The **Broadcasting segment,** which includes the operations of TVA Network, specialty services, the marketing of digital products associated with the various televisual brands, and commercial production and custom publishing services, including those of its Communications Qolab inc. subsidiary;

– The **Film Production & Audiovisual Services segment**, which through its subsidiaries Mels Studios and Postproduction G.P. and Mels Dubbing Inc. provides soundstage, mobile and production equipment rental services, as well as dubbing and described video ("media accessibility services"), postproduction, virtual production and visual effects;

– The **Magazines segment**, which through its TVA Publications inc. subsidiary publishes magazines in various fields including the arts, entertainment, television, fashion and decorating, and markets digital products associated with the various magazine brands;

– The **Production & Distribution segment**, which through the companies in the Incendo group and the TVA Films division produces and distributes television shows, movies and television series for the world market.

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

27. SEGMENTED INFORMATION (continued)

Intersegment items represent the elimination of normal course business transactions between the Corporation's business segments regarding revenues and expenses.

The reportable segments determined by the Corporation's management are strategic operating units that provide various goods and services. They are managed separately because, among other reasons, each segment requires different marketing strategies.

The segments' accounting policies are the same as those used by the Corporation as a whole (see note 1).

						2022
	Broadcasting	Film Production & Audiovisual Services	Magazines	Production & Distribution	Inter-segments items	Total
Revenues	$ 479,458	$ 74,914	$ 40,547	$ 19,991	$ (20,501)	$ 594,409
Purchases of goods and services	374,771	31,087	28,481	13,854	(20,919)	427,274
Employee costs	105,272	30,943	8,263	3,272	–	147,750
(Negative adjusted EBITDA) adjusted EBITDA[(1)]	(585)	12,884	3,803	2,865	418	19,385
Depreciation and amortization						29,947
Financial expenses						1,305
Operational restructuring costs and other						930
Loss before income tax recovery and share of income of associates						$ (12,797)

(1) The Chief Executive Officer uses adjusted EBITDA as a measure of financial performance for assessing the performance of each of the Corporation's segments. Adjusted EBITDA is defined as net income (loss) before depreciation and amortization, financial expenses, operational restructuring costs and other, income taxes (income tax recovery) and share of income of associates. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS.

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts.)

27. SEGMENTED INFORMATION (continued)

	Broadcasting	Film Production & Audiovisual Services	Magazines	Production & Distribution	Inter-segments items	Total
						2021
Revenues	$ 491,762	$ 86,021	$ 45,655	$ 20,425	$ (21,029)	$ 622,834
Purchases of goods and services	347,020	33,523	31,517	12,244	(21,148)	403,156
Employee costs	100,052	29,580	6,650	3,113	–	139,395
Adjusted EBITDA[1]	44,690	22,918	7,488	5,068	119	80,283
Depreciation and amortization						32,107
Financial expenses						2,674
Operational restructuring costs and other						4,670
Income before income taxes and share of income of associates						$ 40,832

(1) The Chief Executive Officer uses adjusted EBITDA as a measure of financial performance for assessing the performance of each of the Corporation's segments. Adjusted EBITDA is defined as net income (loss) before depreciation and amortization, financial expenses, operational restructuring costs and other, income taxes (income tax recovery) and share of income of associates. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS.