

Consolidated financial statements of

**TVA GROUP INC.**

Years ended December 31, 2021 and 2020

# Independent auditor's report

To the Shareholders of  
**TVA Group Inc.**

## Opinion

We have audited the consolidated financial statements of Groupe TVA Inc. and its subsidiaries [the "Group"], which comprise the consolidated balance sheets as at December 31, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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.



### *Measurement of Broadcast rights*

As presented in note 9 of the consolidated financial statements, broadcast and distribution rights amounted to \$174.8 million at December 31, 2021, and as presented in note 3, an amount of \$298.4 million related to rights and audiovisual content was recorded as part of the purchases of goods and services for the year ended December 31, 2021. 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.

#### **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.

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.



## **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*<sup>1</sup>

Montréal, Canada  
February 17, 2022

<sup>1</sup> CPA auditor, CA, public accountancy permit no. A118111



# TVA GROUP INC.

## CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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### Consolidated financial statements

Consolidated statements of income .....	1
Consolidated statements of comprehensive income .....	2
Consolidated statements of equity .....	3
Consolidated balance sheets .....	4
Consolidated statements of cash flows .....	6
Notes to consolidated financial statements .....	7

# TVA GROUP INC.

## CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2021 and 2020

(in thousands of Canadian dollars, except per share amounts)

	Notes	2021	2020
<b>Revenues</b>	2 and 24	<b>\$ 622,834</b>	<b>\$ 508,144</b>
Purchases of goods and services	3 and 24	<b>403,156</b>	319,772
Employee costs	3 and 22	<b>139,395</b>	103,066
Depreciation and amortization	11,12 and 13	<b>32,107</b>	33,330
Financial expenses	4	<b>2,674</b>	2,535
Operational restructuring costs and other	5	<b>4,670</b>	6,197
<b>Income before income taxes and share of income of associates</b>		<b>40,832</b>	43,244
Income taxes	6	<b>11,486</b>	11,845
Share of income of associates		<b>(1,148)</b>	(942)
<b>Net income</b>		<b>\$ 30,494</b>	<b>\$ 32,341</b>
<b>Net income (loss) attributable to:</b>			
Shareholders		<b>\$ 30,504</b>	<b>\$ 32,317</b>
Non-controlling interest		<b>(10)</b>	24
<b>Basic earnings per share attributable to shareholders</b>		<b>\$ 0.71</b>	<b>\$ 0.75</b>
<b>Diluted earnings per share attributable to shareholders</b>		<b>0.70</b>	0.75
<b>Weighted average number of outstanding shares</b>		<b>43,205,535</b>	43,205,535
<b>Weighted average number of diluted shares</b>		<b>43,326,877</b>	43,205,535

See accompanying notes to consolidated financial statements.

# TVA GROUP INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2021 and 2020  
(in thousands of Canadian dollars)

	Note	2021	2020
<b>Net income</b>		<b>\$ 30,494</b>	<b>\$ 32,341</b>
Other comprehensive items that will not be reclassified to income:			
Defined benefit plans:			
Re-measurement gain (loss)	23	<b>50,818</b>	(13,485)
Deferred income taxes	6	<b>(13,467)</b>	3,574
		<b>37,351</b>	(9,911)
<b>Comprehensive income</b>		<b>\$ 67,845</b>	<b>\$ 22,430</b>
<b>Comprehensive income (loss) attributable to:</b>			
Shareholders		<b>\$ 67,855</b>	<b>\$ 22,406</b>
Non-controlling interest		<b>(10)</b>	24

See accompanying notes to consolidated financial statements.

# TVA GROUP INC.

## CONSOLIDATED STATEMENTS OF EQUITY

Years ended December 31, 2021 and 2020

(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 income (loss) Defined benefit plans		
<b>Balance as at December 31, 2019</b>	\$ 207,280	\$ 581	\$ 75,858	\$ 5,274	\$ 1,196	\$ 290,189
Net income	–	–	32,317	–	24	32,341
Other comprehensive loss	–	–	–	(9,911)	–	(9,911)
<b>Balance as at December 31, 2020</b>	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
<b>Balance as at December 31, 2021</b>	<b>\$ 207,280</b>	<b>\$ 581</b>	<b>\$ 138,679</b>	<b>\$ 32,714</b>	<b>\$ 1,210</b>	<b>\$ 380,464</b>

See accompanying notes to consolidated financial statements.

# TVA GROUP INC.

## CONSOLIDATED BALANCE SHEETS

At December 31, 2021 and 2020  
(in thousands of Canadian dollars)

	Note	December 31, 2021	December 31, 2020
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 5,181	\$ 2,838
Accounts receivable	8	210,814	154,060
Income taxes	6	5,755	1,391
Audiovisual content	9	108,530	112,982
Prepaid expenses		3,866	3,217
		<b>334,146</b>	<b>274,488</b>
<b>Non-current assets</b>			
Audiovisual content	9	72,541	57,245
Investments	10	12,115	11,238
Property, plant and equipment	11	160,288	165,247
Right-of-use assets	13	9,084	10,326
Intangible assets	12	20,559	25,028
Goodwill	14	21,696	21,696
Defined benefit plan asset	23	21,309	–
Deferred income taxes	6	9,353	23,923
		<b>326,945</b>	<b>314,703</b>
<b>Total assets</b>		<b>\$ 661,091</b>	<b>\$ 589,191</b>

# TVA GROUP INC.

## CONSOLIDATED BALANCE SHEETS (continued)

At December 31, 2021 and 2020  
(in thousands of Canadian dollars)

	Notes	December 31, 2021	December 31, 2020
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Bank overdraft		\$ -	\$ 1,699
Accounts payable, accrued liabilities and provisions	15	139,149	106,066
Content rights payable		93,383	62,252
Deferred revenues		9,961	14,077
Income taxes		1,622	8,415
Current portion of lease liabilities	18	2,503	3,001
Short-term debt	17	11,980	27,117
		<b>258,598</b>	<b>222,627</b>
<b>Non-current liabilities</b>			
Lease liabilities	18	7,857	9,148
Other liabilities	19	7,798	38,223
Deferred income taxes	6	6,374	6,574
		<b>22,029</b>	<b>53,945</b>
<b>Equity</b>			
Capital stock	20	207,280	207,280
Contributed surplus		581	581
Retained earnings		138,679	108,175
Accumulated other comprehensive income (loss)		32,714	(4,637)
Equity attributable to shareholders		<b>379,254</b>	<b>311,399</b>
Non-controlling interest		1,210	1,220
		<b>380,464</b>	<b>312,619</b>
<b>Commitments, guarantees and contingencies</b>	16 and 25		
<b>Total liabilities and equity</b>		<b>\$ 661,091</b>	<b>\$ 589,191</b>

See accompanying notes to consolidated financial statements.

On February 17, 2022, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2021 and 2020.

On behalf of the Board of Directors,

[signed]

**Sylvie Lalonde**, 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, 2021 and 2020  
(in thousands of Canadian dollars)

	Notes	2021	2020
<b>Cash flows related to operating activities</b>			
Net income		\$ 30,494	\$ 32,341
Adjustments for:			
Depreciation and amortization	11, 12 and 13	32,107	33,330
Share of income of associates		(1,148)	(942)
Deferred income taxes	6	903	(3,503)
Gain on disposal of assets	5	–	(254)
Other		(48)	(327)
		<b>62,308</b>	60,645
Net change in non-cash balances related to operating items	7 a)	(19,423)	(22,727)
Cash flows provided by operating activities		<b>42,885</b>	37,918
<b>Cash flows related to investing activities</b>			
Additions to property, plant and equipment	11	(17,149)	(13,475)
Additions to intangible assets	12	(2,789)	(2,669)
Business acquisitions	5	(606)	(3,519)
Disposal of property, plant and equipment	5	–	323
Other		271	362
Cash flows used in investing activities		<b>(20,273)</b>	(18,978)
<b>Cash flows related to financing activities</b>			
Net change in bank overdraft		(1,699)	1,699
Net change in revolving credit facility		(15,137)	(17,737)
Repayment of lease liabilities	18	(3,255)	(3,394)
Other		(178)	(53)
Cash flows used in financing activities		<b>(20,269)</b>	(19,485)
Net change in cash		<b>2,343</b>	(545)
Cash at beginning of year		<b>2,838</b>	3,383
<b>Cash at end of year</b>		<b>\$ 5,181</b>	\$ 2,838

See accompanying notes to consolidated financial statements.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

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%

The COVID-19 pandemic has had a significant impact on the economic environment in Canada and around the world. The Quebec government has imposed a series of restrictions and special preventive measures since the crisis began to limit the spread of the virus, including the suspension of some business activities. Since March 2020, the public health crisis has curtailed the operations of many of TVA Group’s business partners and led at times to significant slowdowns in some of the Corporation’s segments. Among other things, the restrictions and preventive measures imposed by the Quebec government caused a decline in advertising revenues and their recovery is still hesitant in some markets and segments and, more specifically in 2020, a reduction in the sporting events broadcast on the “TVA Sports” specialty channel, a reduction in the publishing frequency of some periodicals and the temporary suspension of most of our content production activities. At this stage, it is difficult to anticipate all of the consequences of the public health crisis, including the possibility of a major new wave.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

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### 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, 2020 have been restated to conform to the presentation adopted for the year ended December 31, 2021.

#### (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 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.

#### (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 income for the year under “Financial expenses.”

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) Revenue recognition

The Corporation now recognizes operating 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.

#### Advertising revenues

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.

#### Subscription revenues

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.

#### Revenues from soundstage, mobile and equipment rental

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

#### Revenues from postproduction and visual effects

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

#### 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.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) Impairment of assets

For the purposes of assessing impairment, assets are grouped in cash-generating units (“CGUs”), which 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 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.

#### (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 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.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (h) Income taxes (continued)

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) Earnings per share

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 earnings per share.

#### (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 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 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.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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 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.

#### (o) Audiovisual content

##### Programs produced and productions in progress

Programs produced and productions in progress related to broadcasting activities and to production and distribution activities are accounted for at the lower of cost and net realizable value. Cost includes direct charges for goods and services and the share of labour and overhead expenses related to each production. The cost of each program is charged to operating expenses when the program is broadcast or delivered, using a method based on the manner in which future economic benefits from the rights will be generated.

##### Broadcast rights and broadcast rights payable

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 following conditions have been met:

- (i) The cost of each program, film or series, or broadcast rights to a live event, is known or can be reasonably determined;
- (ii) The programs, films or series have been accepted by the Corporation or the live event is broadcast in accordance with the conditions of the broadcast licence agreement;
- (iii) The programs, films or series are available for first showing or broadcast or the live event is broadcast.

Prior to all the above asset recognition conditions being met, the amounts paid for broadcast rights are accounted for as prepaid broadcast rights under "current or long-term audiovisual content," as the case may be.

Broadcast rights are classified as current or long-term, 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.

Broadcast rights payable are classified as current or long-term liabilities under "Content rights payable" and "Other liabilities," based on the payment terms set out in the acquisition contracts.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (o) Audiovisual content (continued)

##### Distribution rights and distribution rights payable

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 (i) the cost of the distribution rights is known or can be reasonably estimated, (ii) the audiovisual product or film has been accepted under the terms set out in the broadcast rights acquisition contract, and (iii) the audiovisual product or film is available for distribution.

Prior to all the above asset recognition conditions being met, the amounts paid for distribution rights are accounted for as prepaid distribution rights under current or long-term "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.

Distribution rights payable are classified as current or long-term liabilities under "Content rights payable" and "Other liabilities," based on the payment terms set out in the acquisition contracts.

##### Inventories

Product inventories are valued at the lower of cost, determined by the first-in, first-out method, and net realizable value.

##### 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 net realizable value of product inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

The amount of the impairment write-down of audiovisual content and product inventories is revised 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 income of associates is recorded in the consolidated statements of income. Other investments are recorded at fair value in the consolidated statements of income. Carrying values of investments are reduced to estimated fair values if there is objective evidence of impairment of the investment.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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:

<b>Assets</b>	<b>Estimated useful life</b>
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 one a year. Any change is accounted for prospectively as a change in accounting estimate.

#### (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.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (r) Goodwill and intangible assets (continued)

##### Intangible assets (continued)

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

<b>Assets</b>	<b>Estimated useful life</b>
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 one a year. Any change is accounted for prospectively as a change in accounting estimate.

#### (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 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, 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 Deferred Stock Units 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.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (u) Pension plans and post-retirement 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 income when the contributions fall due.

##### Defined benefit pension plans and other retirement 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 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 liability or asset recognized in the consolidated statements of income under financial expenses is determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation.

Remeasurements of the net defined-benefit liability or asset 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 liabilities or assets;
- (iii) Changes in the net defined-benefit asset limit or the minimum funding liability.

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the 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 post-retirement 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.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (v) Use of estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions 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 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 income and the carrying amount of audiovisual content recognized on the consolidated balance sheet.

##### (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 income, the gain or loss on re-measurement 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 on 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.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

### 2. REVENUES

	2021	2020
Advertising services	\$ 290,301	\$ 225,044
Royalties	141,786	140,598
Rental, postproduction and distribution services and other services rendered <sup>(1)</sup>	126,192	78,797
Product sales <sup>(2)</sup>	64,555	63,705
	<b>\$ 622,834</b>	<b>\$ 508,144</b>

(1) Revenues from soundstage, mobile and equipment rental and rental space amounted to \$44,580,000 during the year ended December 31, 2021 (\$29,577,000 during the year ended December 31, 2020). 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.

### 3. PURCHASES OF GOODS AND SERVICES AND EMPLOYEE COSTS

	Note	2021	2020
<b>Purchases of goods and services:</b>			
Rights and audiovisual content costs <sup>(1)</sup>		\$ 298,354	\$ 218,406
Printing and distribution		15,071	15,399
Services rendered by parent corporation:			
- Commissions on advertising sales		25,689	23,288
- Other		8,610	8,603
Building costs		16,552	16,932
Marketing, advertising and promotion		15,344	13,958
Other		23,536	23,186
		<b>403,156</b>	319,772
Employee costs	22	\$ 139,395	\$ 103,066
		<b>\$ 542,551</b>	<b>\$ 422,838</b>

(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 of NHL content rights in income was changed.

Consequently, the cost of NHL rights increased by \$26,631,000 in 2021 compared with 2020, net of recognition in 2021 of a credit obtained for the 2020-2021 season in consideration of the aforementioned circumstances.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

### 4. FINANCIAL EXPENSES

	Note	2021	2020
Interest on debt		\$ 855	\$ 972
Amortization of financing costs		53	61
Interest on lease liabilities		554	622
Interest expense related to defined-benefit plans	23	763	312
Other		449	568
		\$ 2,674	\$ 2,535

### 5. OPERATIONAL RESTRUCTURING COSTS AND OTHER

	2021	2020
Operational restructuring costs	\$ 4,968	\$ 5,088
Other	(298)	1,109
	\$ 4,670	\$ 6,197

#### Operational restructuring costs

For the 2021 and 2020 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:

	2021	2020
Broadcasting	\$ 4,859	\$ 3,606
Film Production & Audiovisual Services	7	1,074
Magazines	(325)	408
Production & Distribution	427	–
	\$ 4,968	\$ 5,088

Restructuring costs in the Broadcasting segment for 2021 include a net amount of \$4,110,000 related to cancellation of a contract for the broadcast of certain sporting events. Restructuring costs for 2021 also include a \$199,000 reversal (\$85,000 charge for 2020) for onerous leases extending up to June 2022 for premises left unused following implementation of rationalization plans in the Magazines segment.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

### 5. OPERATIONAL RESTRUCTURING COSTS AND OTHER (continued)

#### Other

During 2021, the Corporation made a downward adjustment to the contingent consideration related to the acquisition of Incendo following a review of the assumptions and the range of probabilities for the achievement of financial conditions used in the initial recognition of the transaction. This remeasurement led to a reversal of the charge in the amount of \$49,000 and the Corporation made a \$606,000 payment in respect of the contingent consideration in 2021. In 2020, the Corporation recorded a \$1,755,000 charge for business acquisitions, including an additional charge of \$1,565,000 in connection with the upward adjustment to the contingent consideration. In 2020, the Corporation also made a \$3,519,000 payment related to the acquisition of Incendo.

In 2021, the Corporation recorded a \$101,000 gain on write-off of lease liabilities (note 18). For the same period of 2020, the Corporation recognized a \$328,000 gain on write-off of lease liabilities and a \$254,000 gain on disposal of assets, for proceeds on disposal totalling \$323,000.

### 6. INCOME TAXES

Income taxes are detailed as follows:

	2021	2020
Current	\$ 10,583	\$ 15,348
Deferred	903	(3,503)
	\$ 11,486	\$ 11,845

The following table reconciles income taxes at Corporation's domestic statutory tax rate of 26.5% in 2021 and 2020 and income taxes in the consolidated statements of income:

	2021	2020
Income taxes at domestic statutory tax rate	\$ 10,820	\$ 11,460
Increase (decrease) resulting from:		
Tax impact of non-deductible charges and non-taxable revenues	195	530
Other	471	(145)
<b>Income taxes</b>	<b>\$ 11,486</b>	<b>\$ 11,845</b>

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

(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 asset and their impact on the deferred income tax expense (recovery) are as follows:

	Consolidated balance sheets		Consolidated statements of income	
	2021	2020	2021	2020
Loss carryforwards	\$ 2,406	\$ 2,541	\$ 135	\$ (1,910)
Income from a general partnership	(2,074)	—	2,074	—
Audiovisual content	721	326	(395)	(1,857)
Defined benefit plans	(5,011)	6,898	(1,558)	(1,648)
Property, plant and equipment	3,114	2,764	(350)	(1,539)
Goodwill and intangible assets	2,023	1,293	(730)	1,179
Accounts payable, accrued liabilities and provisions	\$ 1,976	\$ 2,769	\$ 793	\$ (367)
Other	(176)	758	934	2,639
	\$ 2,979	\$ 17,349	\$ 903	\$ (3,503)

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

	2021	2020
Balance at beginning of year	\$ 17,349	\$ 10,272
Recognized in statement of income	(903)	3,503
Recognized in other comprehensive income	(13,467)	3,574
<b>Balance at end of year</b>	<b>\$ 2,979</b>	<b>\$ 17,349</b>
Deferred tax asset	9,353	23,923
Deferred tax liability	(6,374)	(6,574)
	\$ 2,979	\$ 17,349

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, 2021, the Corporation had operating loss carryforwards for income tax purposes of approximately \$8,976,000 available to reduce its future taxable income. These loss carryforwards expire by 2039.

The Corporation also has \$166,636,000 in unrecognized loss carryforwards with no expiry to be used solely to reduce future capital gains.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

(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 items are as follows:

	2021	2020
Accounts receivable	\$ (56,754)	\$ 6,492
Audiovisual content	(10,844)	(27,127)
Accounts payable, accrued liabilities and provisions	27,330	5,933
Audiovisual rights payable	31,327	(21,194)
Income taxes	(11,157)	9,223
Defined benefit plans	6,387	5,616
Other	(5,712)	(1,670)
	\$ 19,423	\$ (22,727)

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

	2021	2020
Interest paid	\$ 1,515	\$ 1,920
Income taxes paid (net of refunds)	21,740	6,125

### 8. ACCOUNTS RECEIVABLE

	Note	2021	2020
Trade receivables	26 b)	\$ 85,095	\$ 69,672
Other receivables		28,990	24,539
Trade and other receivables from companies under common control and associates		84,932	42,966
Tax credits and government assistance receivable		11,797	16,883
		\$ 210,814	\$ 154,060

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

### 9. AUDIOVISUAL CONTENT

			2021
	Short-term	Long-term	Total
Programs produced and productions in progress	\$ 5,145	\$ 536	\$ 5,681
Broadcast and distribution rights	102,792	72,005	174,797
Inventories	593	–	593
	\$ 108,530	\$ 72,541	\$ 181,071
			2020
	Short-term	Long-term	Total
Programs produced and productions in progress	\$ 2,816	\$ 1,042	\$ 3,858
Broadcast and distribution rights	109,642	56,203	165,845
Inventories	524	–	524
	\$ 112,982	\$ 57,245	\$ 170,227

The cost of inventories and expenses related to programs, broadcast and distribution rights included in purchases of goods and services and employee costs amounted to \$366,013,000 for 2021 (\$291,693,000 for 2020). For 2021, a total \$3,268,000 impairment charge was recorded in purchases of goods and services with respect to audiovisual content (\$2,274,000 for 2020).

### 10. INVESTMENTS

	2021	2020
Tele Inter-Rives Ltd., associate, 45% ownership interest	\$ 10,938	\$ 10,061
Publications Senior inc., associate, 50% ownership interest	1,122	1,122
Other investments	55	55
	\$ 12,115	\$ 11,238

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.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

(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, 2021 and 2020, changes in the net carrying amount of property, plant and equipment are as follows:

	Land, buildings and leasehold improvements	Equipment	Projects under development	Total
<b>Cost:</b>				
Balance as at December 31, 2019	\$ 195,318	\$ 274,520	\$ 5,899	\$ 475,737
Acquisitions <sup>(1)</sup>	2,002	5,906	4,798	12,706
Reclassification	2,052	3,248	(5,300)	–
Write-offs and disposals	(180)	(137)	–	(317)
Balance as at December 31, 2020	199,192	283,537	5,397	488,126
Acquisitions <sup>(1)</sup>	5,687	5,156	6,879	17,722
Reclassification	(322)	3,520	(3,198)	–
Write-offs and disposals	(65)	(23)	–	(88)
<b>Balance as at December 31, 2021</b>	<b>\$ 204,492</b>	<b>\$ 292,190</b>	<b>\$ 9,078</b>	<b>\$ 505,760</b>
<b>Accumulated depreciation and impairment:</b>				
Balance as at December 31, 2019	\$ 92,213	\$ 207,871	\$ –	\$ 300,084
Depreciation	7,129	15,914	–	23,043
Write-offs and disposals	(122)	(126)	–	(248)
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)
<b>Balance as at December 31, 2021</b>	<b>\$ 106,211</b>	<b>\$ 239,261</b>	<b>\$ –</b>	<b>\$ 345,472</b>
<b>Net carrying amount:</b>				
As at December 31, 2020	\$ 99,972	\$ 59,878	\$ 5,397	\$ 165,247
<b>As at December 31, 2021</b>	<b>98,281</b>	<b>52,929</b>	<b>9,078</b>	<b>160,288</b>

<sup>(1)</sup> The net change in additions to property, plant and equipment funded by accounts payable, consisting primarily of equipment, was a \$573,000 increase for the year ended December 31, 2021 (\$769,000 decrease for the year ended December 31, 2020).

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

(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, 2021 and 2020, changes in the net carrying amount of licences and other intangible assets are as follows:

	Broadcasting licences <sup>(1)</sup>	Software, websites and mobile applications	Other intangible assets <sup>(1)</sup>	Projects under development	Total
<b>Cost:</b>					
Balance as at					
December 31, 2019	\$ 92,569	\$ 64,614	\$ 48,226	\$ 1,477	\$ 206,886
Acquisitions <sup>(2)</sup>	–	2,038	–	1,107	3,145
Reclassification	–	1,142	–	(1,142)	–
Write-offs and disposals	–	(2,373)	–	–	(2,373)
Balance as at					
December 31, 2020	92,569	65,421	48,226	1,442	207,658
Acquisitions <sup>(2)</sup>	–	1,583	–	565	2,148
Reclassification	–	1,388	–	(1,388)	–
<b>Balance as at</b>					
<b>December 31, 2021</b>	<b>\$ 92,569</b>	<b>\$ 68,392</b>	<b>\$ 48,226</b>	<b>\$ 619</b>	<b>\$ 209,806</b>

As at December 31, 2021, the cost of internally generated intangible assets, consisting mainly of software, websites and mobile apps, was \$18,116,000 (\$17,315,000 as at December 31, 2020). For the year ended December 31, 2021, the Corporation recognized additions to internally generated intangible assets totalling \$801,000 (\$994,000 for 2020), and did not write off any fully amortized assets (\$197,000 for 2020).

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

### 12. INTANGIBLE ASSETS (continued)

	Broadcasting licences <sup>(1)</sup>	Software, websites and mobile applications	Other intangible assets <sup>(1)</sup>	Projects under development	Total
<b>Accumulated amortization and impairment:</b>					
Balance as at December 31, 2019	\$ 92,569	\$ 56,539	\$ 28,467	\$ –	\$ 177,575
Amortization	–	3,666	3,762	–	7,428
Write-offs and disposals	–	(2,373)	–	–	(2,373)
Balance as at December 31, 2020	92,569	57,832	32,229	–	182,630
Amortization	–	2,855	3,762	–	6,617
<b>Balance as at December 31, 2021</b>	<b>\$ 92,569</b>	<b>\$ 60,687</b>	<b>\$ 35,991</b>	<b>\$ –</b>	<b>\$ 189,247</b>
<b>Net carrying amount:</b>					
As at December 31, 2020	\$ –	\$ 7,589	\$ 15,997	\$ 1,442	\$ 25,028
<b>As at December 31, 2021</b>	<b>–</b>	<b>7,705</b>	<b>12,235</b>	<b>619</b>	<b>20,559</b>

(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 2021 and 2020.

(2) The net change in additions to intangible assets funded by accounts payable, consisting primarily of software, was a \$641,000 decrease for the year ended December 31, 2021 (\$476,000 increase for the year ended December 31, 2020).

As at December 31, 2021, the accumulated amortization and impairment of internally generated intangible assets, consisting primarily of software, websites and mobile apps, amounted to \$15,951,000 (\$15,230,000 as at December 31, 2020). For the year ended December 31, 2021, the Corporation recognized an amortization expense arising from internally generated intangible assets in the amount of \$721,000 (\$669,000 for 2020).

As at December 31, 2021, internally generated intangible assets had a net carrying amount of \$2,165,000 (\$2,085,000 at December 31, 2020).

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

(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, 2021 and 2020, changes in the net carrying amount of right-of-use assets are as follows:

	Note	2021	2020
<b>Cost :</b>			
Balance at beginning of year		\$ 25,875	\$ 21,551
Acquisitions funded by lease liabilities	18	1,567	4,655
Write-offs and other		(4,080)	(331)
<b>Balance at end of year</b>		<b>\$ 23,362</b>	<b>\$ 25,875</b>
<b>Accumulated depreciation and impairment:</b>			
Balance at beginning of year		\$ 15,549	\$ 13,021
Depreciation		2,809	2,859
Write-offs and other		(4,080)	(331)
<b>Balance at end of year</b>		<b>\$ 14,278</b>	<b>\$ 15,549</b>
<b>Net carrying amount</b>		<b>9,084</b>	<b>10,326</b>

The Corporation does not recognize right-of-use assets or lease liabilities for short-term contracts or for which the underlying assets are of little value. The lease charges related to these contracts are not material.

The net carrying value includes right-of-use assets with corporations under common control in the amount of \$666,000 (\$138,000 for 2020) and an amortization expense related to these contracts in the amount of \$355,000 (\$247,000 for 2020).

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

(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	2021	2020
Broadcasting	\$ 4,813	\$ 4,813
Film Production & Audiovisual Services	9,102	9,102
Production & Distribution	7,781	7,781
	<b>\$ 21,696</b>	<b>\$ 21,696</b>

#### 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.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

(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:

CGUs	2021		2020	
	Pre-tax discount rate (WACC)	Perpetual growth rate	Pre-tax discount rate (WACC)	Perpetual growth rate
Broadcasting <sup>(1)</sup>	- %	- %	11.1 %	- %
Film Production & Audiovisual Services <sup>(2)</sup>	11.8 %	2.0 %	10.7 %	2.0 %
Production & Distribution <sup>(2)</sup>	13.5 %	1.0 %	13.7 %	1.0 %

(1) The recoverable amount of the Broadcasting CGU is based on the fair value less costs of disposal for 2021 and the value in use for 2020.

(2) The recoverable amounts of these CGUs are based on value in use for 2021 and 2020.

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

	2021	2020
Accounts payable and accrued liabilities	\$ 59,674	\$ 55,533
Employee salaries and benefits	22,524	22,161
Accounts payable to companies under common control and associates	54,963	24,753
Provisions	1,676	2,665
Stock-based compensation	233	787
Interest payable and other	79	167
	<b>\$ 139,149</b>	<b>\$ 106,066</b>

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

(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

	2021	2020
Bank credit facility <sup>(1)</sup>	\$ 11,989	\$ 27,126
Financing costs, net of accumulated amortization	(9)	(9)
Short-term debt	\$ 11,980	\$ 27,117

<sup>(1)</sup> The Corporation's bank credit facility comprises a revolving credit facility of \$75,000,000, maturing on February 24, 2022. The secured revolving credit facility bears interest at floating rates based on Bankers' acceptance rates, LIBOR, 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, 2021, drawdowns 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. As at December 31, 2020, drawdowns on the revolving credit facility consisted of a \$19,976,000 banker's acceptance bearing interest at an effective rate of 1.88%, a \$7,150,000 advance bearing interest at an effective rate of 2.85% and an outstanding letter of credit in the amount of \$133,000.

On February 15, 2022, the Corporation amended its \$75,000,000 secured revolving credit facility to extend its term from February 24, 2022 to February 24, 2023 and amend certain other terms and conditions.

In December 2021, Investissement Québec granted Mels Studios and Postproduction G.P. an unsecured loan without interest for a maximum amount of \$25,000,000 to support the construction of MELS' fourth production studio. The loan contains certain restrictive covenants as well as typical representations and warranties. The agreement provides for the loan to be repaid over 10 years, with a moratorium for the first three years. As at December 31, 2021, no amount had been disbursed by Investissement Québec in respect of this loan.

As at December 31, 2021, the Corporation was in compliance with the terms of its bank credit facility.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

(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, 2021 and 2020, changes in lease liabilities are as follows:

	2021	2020
Balance at beginning of year	\$ 12,149	\$ 11,216
Lease liabilities funding the right-of-use assets	1,567	4,655
Payments	(3,255)	(3,394)
Write-offs and other	(101)	(328)
Balance at end of year	\$ 10,360	\$ 12,149

Lease liabilities due to corporations under common control totalled \$716,000 at December 31, 2021 (\$207,000 at December 31, 2020).

Interest rates on lease liabilities ranged between 3.1% and 6.5% at December 31, 2021 and 2020.

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

2022	\$ 2,503
2023	2,011
2024	1,364
2025	1,321
2026	995
2027 and thereafter	2,166
	\$ 10,360

### 19. OTHER LIABILITIES

	Note	2021	2020
Content rights payable		\$ 5,107	\$ 4,911
Defined benefit plans	23	468	23,590
Amount payable and contingent consideration		–	6,427
Stock-based compensation <sup>(1)</sup>		1,932	2,345
Deferred revenues		–	360
Other		291	590
		\$ 7,798	\$ 38,223

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

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

(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.

	2021	2020
Issued and paid up		
4,320,000 Class A common shares	\$ 72	\$ 72
38,885,535 Class B shares	207,208	207,208
	<b>\$ 207,280</b>	<b>\$ 207,280</b>

### 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 10 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.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

(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, 2021 and 2020:

	2021		2020	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at beginning of year	795,000	\$ 2.06	515,000	\$ 2.43
Granted	–	–	310,000	1.40
Exercised	(39,999)	2.16	–	–
Cancelled	(385,498)	2.01	(30,000)	1.65
<b>Balance at end of year</b>	<b>369,503</b>	<b>\$ 2.09</b>	<b>795,000</b>	<b>\$ 2.06</b>
<b>Vested options at end of year</b>	<b>48,832</b>	<b>\$ 4.56</b>	<b>35,000</b>	<b>\$ 6.85</b>

The following table provides summary information on stock options outstanding as at December 31, 2021:

Range of exercise price	Outstanding options			Vested options	
	Number	Weighted average years to maturity	Weighted average exercise price	Number	Weighted average exercise price
\$1.40 to \$2.05	273,002	8.17	\$ 1.64	–	\$ –
\$2.16	71,501	6.78	2.16	23,832	2.16
\$6.85	25,000	3.09	6.85	25,000	6.85
<b>\$1.40 to \$6.85</b>	<b>369,503</b>	<b>7.56</b>	<b>\$ 2.09</b>	<b>48,832</b>	<b>\$ 4.56</b>

During the year ended December 31, 2021, \$29,000 was disbursed by the Corporation for the Corporation stock options exercised (nil for 2020).

#### (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 (23,800 stock options for \$1,182,000 in 2020). As at December 31, 2021, no Quebecor Media stock options were outstanding under the plan.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

(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

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, 2021 and 2020:

	2021		2020	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at beginning of year	590,795	\$ 30.30	420,500	\$ 28.82
Granted	–	–	210,295	33.19
Exercised	(43,332)	26.52	–	–
Cancelled	(340,168)	30.29	(40,000)	29.86
<b>Balance at end of year</b>	<b>207,295</b>	<b>\$ 31.12</b>	<b>590,795</b>	<b>\$ 30.30</b>
<b>Vested options at end of year</b>	<b>13,833</b>	<b>\$ 26.52</b>	<b>–</b>	<b>\$ –</b>

The following table provides summary information on stock options outstanding as at December 31, 2021:

Range of exercise price	Outstanding options			Vested options	
	Number	Weighted average years to maturity	Weighted average exercise price	Number	Weighted average exercise price
\$26.52 to \$33.19	207,295	7.81	\$ 31.12	13,833	\$ 26.52
<b>\$26.52 to \$33.19</b>	<b>207,295</b>	<b>7.81</b>	<b>\$ 31.12</b>	<b>13,833</b>	<b>\$ 26.52</b>

During the year ended December 31, 2021, \$193,000 was disbursed by the Corporation for the Quebecor stock options exercised (nil for 2020).

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

(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

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”). 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 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. 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.

The following table shows changes to outstanding units under the DSU plans during the year ended December 31, 2021:

	Outstanding units DSU
<b>TVA Group</b>	
Balance at beginning of year	156,564
Redeemed	(18,122)
Cancelled	(35,794)
<b>Balance at end of year</b>	<b>102,648</b>
<b>Quebecor</b>	
Balance at beginning of year	25,472
Granted	593
Redeemed	(3,747)
Cancelled	(7,444)
<b>Balance at end of year</b>	<b>14,874</b>

An amount totalling \$182,000 was disbursed by the Corporation to redeem DSUs in 2021 (nil in 2020).

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

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### 21. STOCK-BASED COMPENSATION (continued)

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

The Corporation has a deferred stock unit (“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 they cease to be a director of the Corporation. For the purposes of DSU redemption, 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 redemption date.

The following table details changes to outstanding units under the DSU plan for directors during the year ended December 31, 2021:

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	Outstanding units Corporation stock units
Balance at beginning of year	357,798
Granted	64,055
Redeemed	(36,413)
<b>Balance at end of year</b>	<b>385,440</b>

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

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

### 21. STOCK-BASED COMPENSATION (continued)

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

The fair value of stock options under the Corporation, Quebecor Media 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, Quebecor Media and Quebecor stock option plans as at December 31, 2021 and 2020:

	TVA Group		Quebecor Media		Quebecor	
	2021	2020	2021	2020	2021	2020
Risk-free interest rate	1.29 %	0.53 %	– %	0.27 %	1.33 %	0.53 %
Dividend yield	– %	– %	– %	1.00 %	3.91 %	2.43 %
Expected volatility	52.11 %	56.27 %	– %	28.96 %	22.11 %	21.18 %
Expected remaining life	3.7 years	4.5 years	–	1.0 year	3.8 years	4.6 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, 2021, the intrinsic value of liabilities for which options have vested was \$37,000 (\$436,000 as at December 31, 2020).

#### (g) Stock-based compensation expense

For the year ended December 31, 2021, an \$11,000 reversal of the compensation expense was recognized in connection with all the stock-based compensation plans (\$1,066,000 expense for the year ended December 31, 2020).

### 22. TAX CREDITS AND GOVERNMENT ASSISTANCE

Revenues included \$12,540,000 (\$13,282,000 for 2020) in government assistance, primarily for producing 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 \$3,835,000 (\$28,958,000 for 2020), under program production expenses in the amount of \$34,000 (\$170,000 for 2020) and under leasing expenses in the amount of \$257,000 (nil in 2020).

Tax credits in the amount of \$6,295,000 (\$5,541,000 for 2020) 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 \$2,334,000 (\$3,090,000 for 2020) in financial assistance for the creation and publishing of Canadian content in magazines.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

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### 23. PENSION PLANS AND POST-RETIREMENT 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 post-retirement 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.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

### 23. PENSION PLANS AND POST-RETIREMENT 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, 2021 and 2020:

	Pension benefits		Post-retirement benefits	
	2021	2020	2021	2020
<b>Change in benefit obligations</b>				
Benefit obligations at beginning of year	\$ 351,760	\$ 316,819	\$ 592	\$ 606
Service costs	7,000	6,047	23	18
Interest costs	8,893	9,896	17	20
Participant contributions	2,562	2,797	–	–
Actuarial (gains) losses arising from:				
Financial assumptions	(26,445)	30,318	(45)	52
Demographic assumptions	525	–	–	–
Participant experience	652	(2,717)	–	–
Benefits paid	(17,646)	(11,552)	(43)	(44)
Past service costs	208	152	–	–
Other	–	–	(76)	(60)
<b>Benefit obligations at end of year</b>	<b>\$ 327,509</b>	<b>\$ 351,760</b>	<b>\$ 468</b>	<b>\$ 592</b>
<b>Change in plan assets</b>				
Fair value of plan assets at beginning of year	\$ 336,851	\$ 320,326	\$ –	\$ –
Actual return on plan assets	36,305	23,733	–	–
Employer contributions	2,097	1,547	43	44
Participant contributions	2,562	2,797	–	–
Benefits paid	(17,646)	(11,552)	(43)	(44)
<b>Fair value of plan assets at end of year</b>	<b>\$ 360,169</b>	<b>\$ 336,851</b>	<b>\$ –</b>	<b>\$ –</b>

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

### 23. PENSION PLANS AND POST-RETIREMENT BENEFITS (continued)

As at December 31, 2021, the weighted average duration of defined benefit obligations was 15.4 years (16.2 years at December 31, 2020). The Corporation projects benefit payments in the amount of \$13,066,000 in 2022.

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:

	2021	2020
Equity securities:		
Canadian	17.3 %	17.1 %
Foreign	38.7	37.6
Debt securities	43.2	44.6
Other	0.8	0.7
	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.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

### 23. PENSION PLANS AND POST-RETIREMENT BENEFITS (continued)

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

	Pension benefits		Post-retirement benefits	
	2021	2020	2021	2020
<b>Reconciliation of funded status</b>				
Benefit obligations	\$ (327,509)	\$ (351,760)	\$ (468)	\$ (592)
Fair value of plan assets	360,169	336,851	–	–
Plan surplus (deficit)	\$ 32,660	\$ (14,909)	\$ (468)	\$ (592)
Asset limit	(11,351)	(8,089)	–	–
<b>Net amount recognized<sup>(1)</sup></b>	<b>\$ 21,309</b>	<b>\$ (22,998)</b>	<b>\$ (468)</b>	<b>\$ (592)</b>

<sup>(1)</sup> The net amount recognized for 2021 comprises a \$21,309,000 asset reported under “Defined benefit plan asset” and a \$468,000 liability reported under “Other liabilities” (\$23,590,000 liability reported under “Other liabilities” at December 31, 2020) (note 19).

The re-measurement components are:

	Pension benefits		Post-retirement benefits	
	2021	2020	2021	2020
Actuarial gain (loss) on benefit obligations	\$ 25,268	\$ (27,602)	\$ 45	\$ (52)
Actual return on plan assets, less interest income anticipated in the interest on the net defined benefit liability or asset calculation	28,565	14,638	–	–
Asset limit	(3,060)	(469)	–	–
<b>Re-measurements recorded in comprehensive income</b>	<b>\$ 50,773</b>	<b>\$ (13,433)</b>	<b>\$ 45</b>	<b>\$ (52)</b>

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

### 23. PENSION PLANS AND POST-RETIREMENT BENEFITS (continued)

Components of the net benefit costs are as follows:

	Pension benefits		Post-retirement benefits	
	2021	2020	2021	2020
Employee costs:				
Service costs	\$ 7,000	\$ 6,047	\$ 23	\$ 18
Past service costs and other	814	867	–	–
Interest on net defined benefit liability or asset	746	292	17	20
<b>Net benefit costs</b>	<b>\$ 8,560</b>	<b>\$ 7,206</b>	<b>\$ 40</b>	<b>\$ 38</b>

The cost related to defined contribution pension plans for fiscal 2021 amounted to \$2,830,000 (\$2,824,000 for 2020).

The expected employer contributions to the Corporation's defined-benefit pension plans and post-retirement benefit plans for 2022 are \$3,182,000, based on the most recently filed actuarial report (contributions of \$2,140,000 were paid in 2021).

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

### 23. PENSION PLANS AND POST-RETIREMENT 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, 2021 and 2020 are as follows:

	Pension benefits and Post-retirement benefits	
	2021	2020
<b>Benefit obligations</b>		
Rates as of year-end:		
Discount rate	3.00 %	2.50 %
Rate of compensation increase	3.00	3.00
<b>Current periodic costs</b>		
Rates as of preceding year-end:		
Discount rate	2.50 %	3.10 %
Rate of compensation increase	3.00	3.00

The average retirement age assumed for plan members varies with the plan and averaged 61 in 2021 and 2020.

For the purpose of calculating the post-retirement benefit obligation, the annual rate of increase in healthcare costs was assumed to be 6.4% at the end of 2021. Based on forecasts, the cost is expected to decrease gradually over the next 6 years, to 5.0%, and to remain at that level thereafter.

#### Sensitivity analysis

An increase of 10 basis points in the discount rate would have decreased the pension benefits obligation by \$4,565,000 and the post-retirement benefits obligation by \$8,000 as at December 31, 2021.

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.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

(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:

	2021	2020
Salaries and short-term benefits	\$ 3,731	\$ 4,723
Stock-based compensation	148	951
Severances and other long-term benefits	1,136	435
	<b>\$ 5,015</b>	<b>\$ 6,109</b>

#### Revenues and operating expenses

For the year ended December 31, 2021, 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 \$115,679,000 (\$105,622,000 for 2020).
- The Corporation recorded telecommunications service costs, advertising space acquisition costs, professional service fees and commissions on sales and news gathering services arising from transactions with corporations under common control and associates totalling \$54,050,000 (\$48,681,000 for 2020).
- In 2021, the Corporation also billed management fees to companies under common control in the amount of \$5,633,000 (\$5,070,000 for 2020). These fees are recorded as a reduction of operating expenses.
- The Corporation also assumed management fees of the parent corporation amounting to \$3,320,000 (\$3,420,000 for 2020).

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

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### 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 \$490,994,000, including \$1,896,000 with related companies. Minimum payments for future years are as follows:

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2022	\$	171,712
2023 to 2026		316,880
2027 and thereafter	\$	2,402

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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.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

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### 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 sheet:

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

The fair value of long-term debt 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, 2021 and 2020.

#### (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 mainly from amounts receivable from customers.

The carrying amounts of financial assets represent the Corporation's maximum credit exposure. As at December 31, 2021, gross carrying amount of trade receivables, excluding companies under common control and associates, was \$86,614,000 (\$71,649,000 at December 31, 2020).

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 customers' historical terms of payment and acceptable collection periods for each customer class, as well as changes in its customers' credit profiles, to define failure to collect amounts receivable from customers. As at December 31, 2021 and 2020, 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, 2021, 8.8% of trade receivables, excluding companies under common control and associates, had been outstanding for more than 120 days after the billing date (7.3% as at December 31, 2020), of which 22.4% were covered by an allowance for doubtful accounts (43.0% as at December 31, 2020).

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

(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)

The table below shows the variance in the allowance for expected credit losses for the years ended December 31, 2021 and 2020:

	2021	2020
Balance at beginning of year	\$ 1,977	\$ 1,766
Changes in expected credit losses	(371)	342
Write-off	(87)	(131)
<b>Balance at end of year</b>	<b>\$ 1,519</b>	<b>\$ 1,977</b>

#### (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, income tax payments, pension plan contributions, dividends, share redemptions, commitments and guarantees.

As at December 31, 2021, 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
Accounts payable, accrued liabilities and provisions	\$ 133,882	\$ 133,882	\$ –	\$ –
Content rights payable	98,490	93,383	5,107	–
Lease liabilities	10,360	2,503	3,375	4,482
Short-term debt	11,989	11,989	–	–
Amount payable and contingent consideration	6,810	6,810	–	–
Interest payments <sup>(1)</sup>	1,652	619	591	442
<b>Total</b>	<b>\$ 263,183</b>	<b>\$ 249,186</b>	<b>\$ 9,073</b>	<b>\$ 4,924</b>

<sup>(1)</sup> Interest is calculated on a constant debt level equal to that at December 31, 2021 and includes standby fees on the revolving credit facility and interest on lease liabilities.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

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### 26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

#### (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. In light of the insubstantial volume of foreign currency transactions, the Corporation has determined foreign exchange hedging to be unwarranted. 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, 2021, the Corporation's short-term debt consisted entirely of floating-rate debt.

#### (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, short-term debt, lease liabilities and a bank overdraft, less cash.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

(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 (continued)

The capital structure as at December 31, 2021 and 2020 was as follows:

	2021	2020
Short-term debt	\$ 11,989	\$ 27,126
Lease liabilities	10,360	12,149
Bank overdraft	–	1,699
Cash	(5,181)	(2,838)
Net liabilities	17,168	38,136
Equity	\$ 379,254	\$ 311,399

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, 2021, the Corporation was in compliance with the terms of its credit agreement.

### 27. SEGMENTED INFORMATION

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 (formerly COLAB Studio Marketing Collaboratif inc.);
- 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 produces and distributes television shows, movies and television series for the world market.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

(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).

						2021
	Broadcasting	Film Production & Audiovisual Services	Magazines	Production & Distribution	Inter- segments items	Total
Revenues	\$ 495,473	\$ 86,021	\$ 45,655	\$ 16,273	\$ (20,588)	\$ 622,834
Purchases of goods and services	349,792	33,523	31,517	9,227	(20,903)	403,156
Employee costs	100,481	29,580	6,650	2,684	-	139,395
Adjusted EBITDA <sup>(1)</sup>	45,200	22,918	7,488	4,362	315	80,283
Depreciation and amortization						32,107
Financial expenses						2,674
Operational restructuring costs and other						4,670
<b>Income before income taxes and share of income of associates</b>						<b>\$ 40,832</b>

<sup>(1)</sup> 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 before depreciation and amortization, financial expenses, operational restructuring costs and other, income taxes and share of income of associates. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS.

# TVA GROUP INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020

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

### 27. SEGMENTED INFORMATION (continued)

	<b>2020</b>					
	<b>Broadcasting</b>	<b>Film Production &amp; Audiovisual Services</b>	<b>Magazines</b>	<b>Production &amp; Distribution</b>	<b>Inter- segments items</b>	<b>Total</b>
Revenues	\$ 408,741	\$ 58,664	\$ 46,318	\$ 11,432	\$ (17,011)	\$ 508,144
Purchases of goods and services	272,562	25,979	31,264	7,401	(17,434)	319,772
Employee costs	75,203	18,606	6,379	2,878	–	103,066
Adjusted EBITDA <sup>(1)</sup>	60,976	14,079	8,675	1,153	423	85,306
Depreciation and amortization						33,330
Financial expenses						2,535
Operational restructuring costs and other						6,197
<b>Income before income taxes and share of income of associates</b>						<b>\$ 43,244</b>

<sup>(1)</sup> 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 before depreciation and amortization, financial expenses, operational restructuring costs and other, income taxes and share of income of associates. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS.